



Claire McCaskill

Missouri State Auditor

September 2005

Morgan County, Missouri

Years Ended

December 31, 2004 and 2003



Office Of
Missouri State Auditor
Claire McCaskill

September 2005

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, like Morgan, that do not have a county auditor. In addition to a financial and compliance audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Morgan County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- Various federal program expenditures were not included on the 2004 Schedule of Expenditures of Federal Awards (SEFA) resulting in an under statement of approximately \$162,000. Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.
- The County Commission approved an expenditure of approximately \$10,000 from the Special Road and Bridge Fund for repaving the Justice Center parking lot and the anticipated financial condition was not adequately projected for the Neighborhood Improvement District (NID) Ongoing Construction and Maintenance Fund. Published financial statements did not include all financial activity for the Senior Services and Senate Bill 40 Funds or bonded debt information for the Justice Center and various NID projects. The current compensatory time policy does not address all necessary aspects such as maximum accumulation of compensatory time for some employees which could result in the county's liability for compensatory time, which was approximately \$20,000 at April 30, 2005, becoming even more significant. Although expenditures of the Special Road and Bridge Fund exceeded \$1 million, a formal road and bridge maintenance plan has not been prepared. There are no current written contracts with the special road districts.
- The County Clerk does not maintain an account book with the County Collector or verify the delinquent tax books. In addition, the County Collector and County Commission have not entered into a written agreement with the Tri-County Lodging Association to collect lodging taxes and collections and distributions of lodging taxes were not included on the County Collector's annual settlements.

(over)

YELLOW SHEET

- A written policy related to the handling and accounting of fixed assets has not been developed. In addition, a current listing of all county property has not been maintained, property tags have not been affixed to most county property, and annual physical inventories have not been conducted.
- There is no a written policy regarding the use of county owned vehicles. In addition, concerns were noted regarding vehicle mileage logs, vehicle expense logs, personal usage logs, and the current mileage reimbursement policy.
- Accounting duties over bad check restitution monies are not adequately segregated in the Prosecuting Attorney's office. Concerns were noted related to controls over the accounting system for bad checks and court ordered restitution including untimely updates to the accounting system, errors in the bank reconciliation, failure to prepare and maintain open items listings, and the lack of procedures to routinely follow up on outstanding checks and old bank accounts. In addition, fees were not always transmitted to the County Treasurer on a timely basis and expenditures totaling approximately \$950 made from the Law Library Fund did not appear to be in accordance with state law.
- Accounting duties in the Sheriff's office are not adequately segregated. In addition, generic receipt slips are issued and checks and money orders are not endorsed immediately upon receipt. Deposits are not made timely when the employee assigned that duty is absent for extended periods. Procedures have not been established to routinely follow up on outstanding checks and old bank accounts. Open items listings for inmate monies are not prepared and compared to cash balances. Monies from commissions on inmate commissary purchases and telephone card sales are maintained by the Sheriff outside the county treasury. U.S. Marshals prisoners are not always correctly identified in the tacking system and the system does not always correctly compute the number of days held resulting in inaccurate billings.
- Accounting duties over traffic monies processed by the Associate Circuit Division are not adequately segregated, open items listings are not performed in a timely manner, bank reconciliations for the bond account are not performed in a timely manner, and old outstanding checks and bond monies are not adequately investigated. In addition, listings of accrued costs owed to the court are not maintained and monitoring procedures related to accrued costs are not adequate.

Other recommendations suggested improvements in computer controls, the Assessor's receipting procedures and the County Clerk's handling of vending machine proceeds.

Several officials agreed with the recommendations and indicated steps have already been taken to implement most recommendations or they are planning to do so.

All reports are available on our website: www.auditor.mo.gov

MORGAN COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Morgan County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Morgan County, Missouri, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Morgan County, Missouri, as of December 31, 2004 and 2003, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Morgan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2004 and 2003, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 2, 2005, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Morgan County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Claire McCaskill
State Auditor

June 2, 2005 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Robyn Lamb
Audit Staff:	Terese Summers, CPA
	Anne Jenkins
	Jennifer L. Carter



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the County Commission
and
Officeholders of Morgan County, Missouri

We have audited the financial statements of various funds of Morgan County, Missouri, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated June 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Morgan County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Morgan County, Missouri, are free of material misstatement, we performed tests of the

county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Morgan County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

June 2, 2005 (fieldwork completion date)

Financial Statements

Exhibit A-1

MORGAN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2004

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 812,606	2,818,362	2,570,230	1,060,738
Special Road and Bridge	767,657	1,663,596	1,398,495	1,032,758
Assessment	0	376,238	376,238	0
Law Enforcement Training	594	3,694	2,473	1,815
Prosecuting Attorney Training	803	1,083	1,600	286
Johnson Grass	136,889	7,193	5,486	138,596
911	0	440,801	440,801	0
Local Emergency Planning Committee	10,109	2,451	3,624	8,936
Prosecuting Attorney Delinquent				
Sales Tax	3,100	1,700	2,935	1,865
Recorder User Fees	22,997	36,066	31,545	27,518
Domestic Violence	1,837	1,757	1,837	1,757
Bad Check Collection	3,551	18,168	16,816	4,903
Law Library	10,635	9,085	11,441	8,279
Law Enforcement Sales Tax	0	2,244,449	2,244,449	0
Neighborhood Improvement District				
Debt Service Bond	703,940	460,785	465,351	699,374
Neighborhood Improvement District				
Ongoing Construction & Maintenance	602,227	114,112	104,232	612,107
Sheriff Fees	10,608	24,255	26,002	8,861
Election Services	2,685	1,455	0	4,140
MoSmart Grant	0	46,545	46,545	0
Inmate Security	426	3,451	0	3,877
Senate Bill 40	72,372	152,611	139,096	85,887
Senior Services	61,845	151,218	163,751	49,312
Collector Tax Maintenance	20,425	33,569	5,096	48,898
Local Law Enforcement Block Grant	916	1,684	2,600	0
2002 Local Law Enforcement Block Grant	10,285	123	8,280	2,128
Sheriff's Seizures	95	2	0	97
Circuit Clerk Interest	26,537	2,416	178	28,775
Associate Circuit Court Interest	16,525	1,035	0	17,560
HAVA	0	15,024	13,703	1,321
Jury Script	1,250	5,500	5,842	908
Sheriff Revolving	0	6,115	0	6,115
Total	\$ 3,300,914	8,644,543	8,088,646	3,856,811

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MORGAN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2003

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 748,887	2,154,364	2,090,645	812,606
Special Road and Bridge	815,399	1,602,000	1,649,742	767,657
Assessment	0	334,453	334,453	0
Law Enforcement Training	1,485	3,061	3,952	594
Prosecuting Attorney Training	6,293	870	6,360	803
Johnson Grass	30,595	115,752	9,458	136,889
911	1,156	390,421	391,577	0
Local Emergency Planning Committee	5,145	5,693	729	10,109
Prosecuting Attorney Delinquent Sales Tax	5,503	346	2,749	3,100
Recorder User Fees	19,415	34,738	31,156	22,997
Domestic Violence	1,561	1,837	1,561	1,837
Bad Check Collection	15,015	12,359	23,823	3,551
Law Library	10,930	8,656	8,951	10,635
Law Enforcement Sales Tax	0	1,875,596	1,875,596	0
Neighborhood Improvement District Debt Service Bond	719,337	437,439	452,836	703,940
Neighborhood Improvement District Ongoing Construction & Maintenance	497,802	104,425	0	602,227
Sheriff Fees	672	38,601	28,665	10,608
Election Services	2,874	966	1,155	2,685
Family Access	1,174	0	1,174	0
MoSmart Grant	0	55,573	55,573	0
Inmate Security	0	426	0	426
Senate Bill 40	82,138	146,869	156,635	72,372
Senior Services	68,591	147,109	153,855	61,845
Collector Tax Maintenance	2,738	33,623	15,936	20,425
Local Law Enforcement Block Grant	9,491	4,572	13,147	916
2002 Local Law Enforcement Block Grant	0	12,024	1,739	10,285
Sheriff's Seizures	91	4	0	95
Circuit Clerk Interest	23,822	3,202	487	26,537
Associate Circuit Court Interest	15,911	1,107	493	16,525
Jury Script	2,479	2,000	3,229	1,250
Total	\$ 3,088,504	7,528,086	7,315,676	3,300,914

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MORGAN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 8,911,400	8,632,928	(278,472)	7,891,962	7,525,660	(366,302)
DISBURSEMENTS	9,018,644	8,082,804	935,840	8,790,255	7,312,447	1,477,808
RECEIPTS OVER (UNDER) DISBURSEMENTS	(107,244)	550,124	657,368	(898,293)	213,213	1,111,506
CASH, JANUARY 1	3,299,959	3,299,664	(295)	3,086,025	3,086,025	0
CASH, DECEMBER 31	3,192,715	3,849,788	657,073	2,187,732	3,299,238	1,111,506
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	298,000	324,316	26,316	300,000	321,535	21,535
Sales taxes	860,000	904,737	44,737	872,000	858,863	(13,137)
Intergovernmental	20,000	8,654	(11,346)	13,500	2,150	(11,350)
Charges for services	1,278,700	1,437,339	158,639	835,900	859,960	24,060
Interest	20,000	27,298	7,298	20,000	18,667	(1,333)
Other	50,800	85,953	35,153	36,750	46,612	9,862
Transfers in	60,400	30,065	(30,335)	60,500	46,577	(13,923)
Total Receipts	2,587,900	2,818,362	230,462	2,138,650	2,154,364	15,714
DISBURSEMENTS						
County Commissior	116,868	116,016	852	115,620	115,133	487
County Clerk	101,202	94,712	6,490	94,142	92,986	1,156
Elections	32,700	33,367	(667)	12,200	6,312	5,888
Buildings and grounds	73,948	74,945	(997)	72,492	69,196	3,296
Employee fringe benefit	112,400	93,950	18,450	100,616	86,571	14,045
County Treasurer	37,300	35,465	1,835	36,800	34,860	1,940
County Collector	112,900	114,440	(1,540)	112,292	110,506	1,786
Ex Officio Recorder of Deed	63,718	61,470	2,248	62,833	64,021	(1,188)
Circuit Clerk	8,800	6,997	1,803	6,200	5,105	1,095
Associate Circuit Court	29,220	21,178	8,042	27,900	22,538	5,362
Court administration	5,000	7,500	(2,500)	6,000	2,000	4,000
Public Administrator	61,640	57,521	4,119	58,687	55,134	3,553
Prosecuting Attorney	164,640	166,304	(1,664)	147,930	143,615	4,315
Juvenile Officer	63,787	29,202	34,585	68,332	40,341	27,991
County Coroner	27,200	19,002	8,198	27,180	21,308	5,872
Circuit Judges-Divisions 1 & 2	12,046	6,246	5,800	11,840	6,834	5,006
Insurance	6,500	10,844	(4,344)	15,000	2,910	12,090
University Extension Service	30,740	30,021	719	29,712	27,177	2,535
Emergency management	7,000	7,193	(193)	4,400	9,143	(4,743)
Utilities	13,000	10,048	2,952	12,000	12,487	(487)
Telephone	10,500	10,076	424	10,500	10,354	146
Outside services	50,000	76,901	(26,901)	10,000	27,887	(17,887)
Equipment	100,000	206,341	(106,341)	200,000	203,900	(3,900)
Capital improvements-jai	65,000	55,148	9,852	15,000	43,377	(28,377)
Capital improvements-courthouse	15,000	11,353	3,647	5,000	1,589	3,411
Inventory	0	3,834	(3,834)	0	19,865	(19,865)
Other	26,000	28,298	(2,298)	30,500	30,061	439
Transfers out	1,315,351	1,181,858	133,493	773,785	825,435	(51,650)
Emergency Fund	80,000	0	80,000	56,700	0	56,700
Total Disbursements	2,742,460	2,570,230	172,230	2,123,661	2,090,645	33,016
RECEIPTS OVER (UNDER) DISBURSEMENTS	(154,560)	248,132	402,692	14,989	63,719	48,730
CASH, JANUARY 1	812,606	812,606	0	748,887	748,887	0
CASH, DECEMBER 31	658,046	1,060,738	402,692	763,876	812,606	48,730

Exhibit B

MORGAN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	329,000	335,863	6,863	330,000	321,830	(8,170)
Intergovernmental	1,734,000	1,283,430	(450,570)	1,575,000	1,240,742	(334,258)
Interest	18,000	23,739	5,739	20,000	20,563	563
Other	25,000	20,482	(4,518)	255,000	18,557	(236,443)
Transfers in	500	82	(418)	500	308	(192)
Total Receipts	2,106,500	1,663,596	(442,904)	2,180,500	1,602,000	(578,500)
DISBURSEMENTS						
Salaries	460,000	450,210	9,790	427,000	445,521	(18,521)
Employee fringe benefit	98,400	91,226	7,174	86,200	88,354	(2,154)
Supplies	120,000	115,028	4,972	110,000	109,090	910
Insurance	27,500	27,689	(189)	25,000	25,535	(535)
Road and bridge materials	165,000	140,051	24,949	166,000	153,733	12,267
Equipment repairs	50,000	61,531	(11,531)	50,000	38,167	11,833
Equipment purchases	250,000	41,478	208,522	600,000	398,080	201,920
Construction, repair, and maintenance	700,000	221,829	478,171	649,000	146,574	502,426
CART and marine gas tax to special road district	190,330	203,059	(12,729)	180,000	186,517	(6,517)
Other	15,800	16,394	(594)	13,800	13,171	629
Transfers out	53,800	30,000	23,800	60,000	45,000	15,000
Total Disbursements	2,130,830	1,398,495	732,335	2,367,000	1,649,742	717,258
RECEIPTS OVER (UNDER) DISBURSEMENTS	(24,330)	265,101	289,431	(186,500)	(47,742)	138,758
CASH, JANUARY 1	767,657	767,657	0	815,399	815,399	0
CASH, DECEMBER 31	743,327	1,032,758	289,431	628,899	767,657	138,758
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	302,000	314,279	12,279	328,785	293,179	(35,606)
Interest	700	937	237	835	697	(138)
Other	200	0	(200)	0	207	207
Transfers in	105,414	61,022	(44,392)	25,145	40,370	15,225
Total Receipts	408,314	376,238	(32,076)	354,765	334,453	(20,312)
DISBURSEMENTS						
Assessor	408,314	376,238	32,076	354,765	334,453	20,312
Total Disbursements	408,314	376,238	32,076	354,765	334,453	20,312
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0

Exhibit B

MORGAN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for service:	3,500	3,664	164	3,100	3,037	(63)
Interest	30	30	0	50	24	(26)
Other	0	0	0	200	0	(200)
Total Receipts	3,530	3,694	164	3,350	3,061	(289)
DISBURSEMENTS						
Sheriff	3,530	2,473	1,057	6,500	3,952	2,548
Total Disbursements	3,530	2,473	1,057	6,500	3,952	2,548
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,221	1,221	(3,150)	(891)	2,259
CASH, JANUARY 1	594	594	0	1,485	1,485	0
CASH, DECEMBER 31	594	1,815	1,221	(1,665)	594	2,259
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	800	930	130	700	754	54
Interest	0	7	7	400	116	(284)
Transfers in	0	146	146	0	0	0
Total Receipts	800	1,083	283	1,100	870	(230)
DISBURSEMENTS						
Prosecuting Attorney	1,600	1,600	0	7,073	6,360	713
Total Disbursements	1,600	1,600	0	7,073	6,360	713
RECEIPTS OVER (UNDER) DISBURSEMENTS	(800)	(517)	283	(5,973)	(5,490)	483
CASH, JANUARY 1	803	803	0	6,293	6,293	0
CASH, DECEMBER 31	3	286	283	320	803	483
<u>JOHNSON GRASS FUND</u>						
RECEIPTS						
Property taxes	0	3,944	3,944	111,750	113,206	1,456
Interest	1,850	3,249	1,399	2,500	1,897	(603)
Other	0	0	0	0	644	644
Transfers in	0	0	0	0	5	5
Total Receipts	1,850	7,193	5,343	114,250	115,752	1,502
DISBURSEMENTS						
Salaries	4,819	4,762	57	4,759	4,785	(26)
Office expenditures:	50	36	14	40	39	1
Equipment	0	0	0	3,950	0	3,950
Maintenance	500	24	476	500	4,014	(3,514)
Other	1,160	664	496	810	620	190
Total Disbursements	6,529	5,486	1,043	10,059	9,458	601
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,679)	1,707	6,386	104,191	106,294	2,103
CASH, JANUARY 1	136,889	136,889	0	30,595	30,595	0
CASH, DECEMBER 31	132,210	138,596	6,386	134,786	136,889	2,103

Exhibit B

MORGAN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>911 FUND</u>						
RECEIPTS						
Intergovernmental	80,000	76,799	(3,201)	88,175	79,222	(8,953)
Charges for service:	250,000	256,625	6,625	272,000	249,251	(22,749)
Interest	250	144	(106)	0	264	264
Other	0	177	177	0	357	357
Transfers in	123,217	107,056	(16,161)	27,101	61,327	34,226
Total Receipts	453,467	440,801	(12,666)	387,276	390,421	3,145
DISBURSEMENTS						
Salaries	338,251	338,730	(479)	323,391	317,702	5,689
Office expenditures:	21,216	19,972	1,244	17,864	18,875	(1,011)
Equipment	10,000	9,898	102	8,000	8,401	(401)
Mileage and training	9,000	9,877	(877)	7,500	7,631	(131)
Line charges	74,000	61,224	12,776	43,000	38,035	4,965
Other	1,000	1,100	(100)	1,400	933	467
Total Disbursements	453,467	440,801	12,666	401,155	391,577	9,578
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	(13,879)	(1,156)	12,723
CASH, JANUARY 1	0	0	0	1,156	1,156	0
CASH, DECEMBER 31	0	0	0	(12,723)	0	12,723
<u>LOCAL EMERGENCY PLANNING COMMITTEE FUND</u>						
RECEIPTS						
Intergovernmental	5,700	2,451	(3,249)	2,100	5,693	3,593
Total Receipts	5,700	2,451	(3,249)	2,100	5,693	3,593
DISBURSEMENTS						
Local emergency planning	7,600	3,624	3,976	5,700	729	4,971
Total Disbursements	7,600	3,624	3,976	5,700	729	4,971
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,900)	(1,173)	727	(3,600)	4,964	8,564
CASH, JANUARY 1	10,109	10,109	0	5,145	5,145	0
CASH, DECEMBER 31	8,209	8,936	727	1,545	10,109	8,564
<u>PROSECUTING ATTORNEY DELINQUENT SALES TAX FUND</u>						
RECEIPTS						
Charges for service:	250	1,659	1,409	500	241	(259)
Interest	50	41	(9)	400	105	(295)
Total Receipts	300	1,700	1,400	900	346	(554)
DISBURSEMENTS						
Prosecuting Attorney	3,000	2,935	65	3,025	2,749	276
Total Disbursements	3,000	2,935	65	3,025	2,749	276
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,700)	(1,235)	1,465	(2,125)	(2,403)	(278)
CASH, JANUARY 1	3,100	3,100	0	5,503	5,503	0
CASH, DECEMBER 31	400	1,865	1,465	3,378	3,100	(278)

Exhibit B

MORGAN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER USER FEES FUND</u>						
RECEIPTS						
Intergovernmental	0	4,639	4,639	0	0	0
Charges for service:	35,000	30,847	(4,153)	32,000	34,298	2,298
Interest	500	580	80	500	440	(60)
Total Receipts	35,500	36,066	566	32,500	34,738	2,238
DISBURSEMENTS						
Ex Officio Recorder of Deed	35,000	31,545	3,455	28,700	31,156	(2,456)
Total Disbursements	35,000	31,545	3,455	28,700	31,156	(2,456)
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	4,521	4,021	3,800	3,582	(218)
CASH, JANUARY 1	22,997	22,997	0	19,415	19,415	0
CASH, DECEMBER 31	23,497	27,518	4,021	23,215	22,997	(218)
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for service:	2,400	1,737	(663)	1,600	1,820	220
Interest	25	20	(5)	25	17	(8)
Total Receipts	2,425	1,757	(668)	1,625	1,837	212
DISBURSEMENTS						
Payments to domestic violence shelter	1,837	1,837	0	1,561	1,561	0
Total Disbursements	1,837	1,837	0	1,561	1,561	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	588	(80)	(668)	64	276	212
CASH, JANUARY 1	1,837	1,837	0	1,561	1,561	0
CASH, DECEMBER 31	2,425	1,757	(668)	1,625	1,837	212
<u>BAD CHECK COLLECTION FUND</u>						
RECEIPTS						
Charges for service:	20,000	18,018	(1,982)	16,500	12,096	(4,404)
Interest	50	150	100	500	263	(237)
Total Receipts	20,050	18,168	(1,882)	17,000	12,359	(4,641)
DISBURSEMENTS						
Prosecuting Attorney	16,545	16,816	(271)	24,474	23,823	651
Total Disbursements	16,545	16,816	(271)	24,474	23,823	651
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,505	1,352	(2,153)	(7,474)	(11,464)	(3,990)
CASH, JANUARY 1	3,551	3,551	0	15,015	15,015	0
CASH, DECEMBER 31	7,056	4,903	(2,153)	7,541	3,551	(3,990)
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for service:	0	9,085	9,085	7,500	8,656	1,156
Total Receipts	0	9,085	9,085	7,500	8,656	1,156
DISBURSEMENTS						
Law library	10,930	11,441	(511)	7,500	8,951	(1,451)
Total Disbursements	10,930	11,441	(511)	7,500	8,951	(1,451)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,930)	(2,356)	8,574	0	(295)	(295)
CASH, JANUARY 1	10,930	10,635	(295)	10,930	10,930	0
CASH, DECEMBER 31	0	8,279	8,279	10,930	10,635	(295)

Exhibit B

MORGAN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	925,000	967,364	42,364	925,000	924,385	(615)
Intergovernmental	45,000	41,393	(3,607)	49,610	52,756	3,146
Charges for services	84,000	204,941	120,941	82,760	153,891	71,131
Interest	2,000	3,460	1,460	2,000	2,193	193
Other	24,000	15,900	(8,100)	0	22,194	22,194
Transfers in	1,218,132	1,011,391	(206,741)	717,039	720,177	3,138
Total Receipts	2,298,132	2,244,449	(53,683)	1,776,409	1,875,596	99,187
DISBURSEMENTS						
Salary expenditures	963,822	961,976	1,846	789,360	789,360	0
Office expenditures	48,500	48,276	224	36,000	36,426	(426)
Equipment	49,000	8,583	40,417	6,100	4,271	1,829
Mileage and training	100,000	100,617	(617)	73,700	78,780	(5,080)
Other expenditures	38,860	35,531	3,329	33,400	33,887	(487)
Jail	242,000	258,114	(16,114)	150,000	135,318	14,682
Fringe benefits	201,450	182,247	19,203	150,608	149,716	892
Bond payment	474,500	474,817	(317)	472,000	471,194	806
Utilities	52,000	49,842	2,158	51,000	50,490	510
Insurance	78,000	77,901	99	70,000	68,216	1,784
Transfers out	50,000	46,545	3,455	57,787	57,938	(151)
Total Disbursements	2,298,132	2,244,449	53,683	1,889,955	1,875,596	14,359
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	(113,546)	0	113,546
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	(113,546)	0	113,546
<u>NEIGHBORHOOD IMPROVEMENT DISTRICT DEBT SERVICE BOND FUND</u>						
RECEIPTS						
Property taxes	434,961	443,648	8,687	341,458	429,303	87,845
Interest	10,551	17,137	6,586	14,638	8,136	(6,502)
Total Receipts	445,512	460,785	15,273	356,096	437,439	81,343
DISBURSEMENTS						
Bond payments	373,435	373,363	72	367,032	363,535	3,497
Administration fee	4,878	3,132	1,746	5,296	4,632	664
Asphalt	0	0	0	40,146	0	40,146
Transfers out	87,042	88,856	(1,814)	84,860	84,669	191
Total Disbursements	465,355	465,351	4	497,334	452,836	44,498
RECEIPTS OVER (UNDER) DISBURSEMENTS	(19,843)	(4,566)	15,277	(141,238)	(15,397)	125,841
CASH, JANUARY 1	703,940	703,940	0	719,337	719,337	0
CASH, DECEMBER 31	684,097	699,374	15,277	578,099	703,940	125,841

Exhibit B

MORGAN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>NEIGHBORHOOD IMPROVEMENT DISTRICT ONGOING CONSTRUCTION & MAINTENANCE FUND</u>						
RECEIPTS						
Interest	8,100	11,423	3,323	11,150	6,930	(4,220)
Other	13,000	13,833	833	12,627	12,826	199
Transfers in	87,042	88,856	1,814	84,861	84,669	(192)
Total Receipts	108,142	114,112	5,970	108,638	104,425	(4,213)
DISBURSEMENTS						
Road maintenance	0	104,232	(104,232)	606,440	0	606,440
Total Disbursements	0	104,232	(104,232)	606,440	0	606,440
RECEIPTS OVER (UNDER) DISBURSEMENTS	108,142	9,880	(98,262)	(497,802)	104,425	602,227
CASH, JANUARY 1	602,227	602,227	0	497,802	497,802	0
CASH, DECEMBER 31	710,369	612,107	(98,262)	0	602,227	602,227
<u>SHERIFF FEES FUND</u>						
RECEIPTS						
Charges for service:	36,000	24,042	(11,958)	26,500	36,066	9,566
Interest	79	213	134	86	49	(37)
Transfers in	0	0	0	0	2,486	2,486
Total Receipts	36,079	24,255	(11,824)	26,586	38,601	12,015
DISBURSEMENTS						
Sheriff	28,545	26,002	2,543	28,468	28,665	(197)
Total Disbursements	28,545	26,002	2,543	28,468	28,665	(197)
RECEIPTS OVER (UNDER) DISBURSEMENTS	7,534	(1,747)	(9,281)	(1,882)	9,936	11,818
CASH, JANUARY 1	10,608	10,608	0	672	672	0
CASH, DECEMBER 31	18,142	8,861	(9,281)	(1,210)	10,608	11,818
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	2,800	1,373	(1,427)	0	930	930
Interest	50	82	32	60	36	(24)
Total Receipts	2,850	1,455	(1,395)	60	966	906
DISBURSEMENTS						
County Clerk	0	0	0	1,300	1,155	145
Total Disbursements	0	0	0	1,300	1,155	145
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,850	1,455	(1,395)	(1,240)	(189)	1,051
CASH, JANUARY 1	2,685	2,685	0	2,874	2,874	0
CASH, DECEMBER 31	5,535	4,140	(1,395)	1,634	2,685	1,051

Exhibit B

MORGAN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>FAMILY ACCESS FUND</u>						
RECEIPTS						
Charges for services				0	0	0
Total Receipts				0	0	0
DISBURSEMENTS						
Transfers out				1,174	1,174	0
Total Disbursements				1,174	1,174	0
RECEIPTS OVER (UNDER) DISBURSEMENTS				(1,174)	(1,174)	0
CASH, JANUARY 1				1,174	1,174	0
CASH, DECEMBER 31				0	0	0
<u>MOSMART GRANT FUND</u>						
RECEIPTS						
Other	0	0	0	0	122	122
Transfers in	47,159	46,545	(614)	49,610	55,451	5,841
Total Receipts	47,159	46,545	(614)	49,610	55,573	5,963
DISBURSEMENTS						
Sheriff	47,159	46,545	614	57,787	55,573	2,214
Total Disbursements	47,159	46,545	614	57,787	55,573	2,214
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	(8,177)	0	8,177
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	(8,177)	0	8,177
<u>INMATE SECURITY FUND</u>						
RECEIPTS						
Charges for services	900	3,436	2,536			
Interest	0	15	15			
Total Receipts	900	3,451	2,551			
DISBURSEMENTS						
Disbursements	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	900	3,451	2,551			
CASH, JANUARY 1	426	426	0			
CASH, DECEMBER 31	1,326	3,877	2,551			

Exhibit B

MORGAN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SENATE BILL 40 FUND</u>						
RECEIPTS						
Property taxes	145,000	150,654	5,654	142,106	144,573	2,467
Interest	1,800	1,888	88	1,500	1,991	491
Other	0	69	69	0	305	305
Total Receipts	146,800	152,611	5,811	143,606	146,869	3,263
DISBURSEMENTS						
Morgan County Mental Health	9,861	9,861	0	9,861	9,861	0
Stover Developmental Center	0	0	0	14,400	14,400	0
Lake Ozark Developmental Center	10,000	11,667	(1,667)	30,000	28,750	1,250
Quality Industries	66,000	66,000	0	56,000	55,980	20
Central Region Center	44,967	37,991	6,976	41,442	32,315	9,127
Haw Creek	0	0	0	10,530	75	10,455
Wonderland Campership	12,000	11,700	300	12,000	11,700	300
Other	3,000	1,877	1,123	5,000	3,554	1,446
Total Disbursements	145,828	139,096	6,732	179,233	156,635	22,598
RECEIPTS OVER (UNDER) DISBURSEMENTS	972	13,515	12,543	(35,627)	(9,766)	25,861
CASH, JANUARY 1	72,372	72,372	0	82,138	82,138	0
CASH, DECEMBER 31	73,344	85,887	12,543	46,511	72,372	25,861
<u>SENIOR SERVICES FUND</u>						
RECEIPTS						
Property taxes	147,930	150,331	2,401	150,000	144,299	(5,701)
Interest	0	858	858	1,300	1,076	(224)
Other	0	29	29	150	1,734	1,584
Total Receipts	147,930	151,218	3,288	151,450	147,109	(4,341)
DISBURSEMENTS						
Postage	0	33	(33)	15	0	15
Bond	0	172	(172)	0	172	(172)
Publication expense	0	171	(171)	0	173	(173)
Nutrition Sites	65,929	57,250	8,679	0	54,250	(54,250)
MO Home Care	6,500	8,000	(1,500)	0	7,500	(7,500)
Homemaker Health Care	50,000	49,500	500	0	52,000	(52,000)
Regal Home Care	5,000	4,750	250	0	0	0
West Central Missouri Community Action Agency	10,250	16,575	(6,325)	0	14,950	(14,950)
Stover Betterment	1,000	1,500	(500)	0	1,500	(1,500)
Haw Creek Therapeutic Center	0	0	0	0	250	(250)
Four Seasons	5,000	12,800	(7,800)	0	12,060	(12,060)
Golden Age Nursing Guild	4,000	8,000	(4,000)	0	6,000	(6,000)
Oats Bus	4,000	5,000	(1,000)	0	5,000	(5,000)
Unclassified	0	0	0	149,985	0	149,985
Total Disbursements	151,679	163,751	(12,072)	150,000	153,855	(3,855)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,749)	(12,533)	(8,784)	1,450	(6,746)	(8,196)
CASH, JANUARY 1	61,845	61,845	0	68,591	68,591	0
CASH, DECEMBER 31	58,096	49,312	(8,784)	70,041	61,845	(8,196)

Exhibit B

MORGAN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>COLLECTOR TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	30,000	33,343	3,343	13,400	33,507	20,107
Interest	0	226	226	100	116	16
Total Receipts	30,000	33,569	3,569	13,500	33,623	20,123
DISBURSEMENTS						
County Collector	30,000	5,096	24,904	16,000	15,936	64
Total Disbursements	30,000	5,096	24,904	16,000	15,936	64
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	28,473	28,473	(2,500)	17,687	20,187
CASH, JANUARY 1	20,425	20,425	0	2,738	2,738	0
CASH, DECEMBER 31	20,425	48,898	28,473	238	20,425	20,187
<u>LOCAL LAW ENFORCEMENT BLOCK GRANT FUND</u>						
RECEIPTS						
Intergovernmental	2,000	1,684	(316)	9,491	4,482	(5,009)
Interest	85	0	(85)	0	90	90
Other	0	0	0	0	0	0
Total Receipts	2,085	1,684	(401)	9,491	4,572	(4,919)
DISBURSEMENTS						
Sheriff	2,085	2,600	(515)	0	2,419	(2,419)
Transfers out	0	0	0	14,000	10,728	3,272
Total Disbursements	2,085	2,600	(515)	14,000	13,147	853
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(916)	(916)	(4,509)	(8,575)	(4,066)
CASH, JANUARY 1	916	916	0	9,491	9,491	0
CASH, DECEMBER 31	916	0	(916)	4,982	916	(4,066)
<u>2002 LOCAL LAW ENFORCEMENT BLOCK GRANT FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	1,272	1,272	0
Interest	150	123	(27)	100	24	(76)
Transfers in	0	0	0	10,728	10,728	0
Total Receipts	150	123	(27)	12,100	12,024	(76)
DISBURSEMENTS						
Sheriff	10,435	8,280	2,155	2,000	1,739	261
Total Disbursements	10,435	8,280	2,155	2,000	1,739	261
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,285)	(8,157)	2,128	10,100	10,285	185
CASH, JANUARY 1	10,285	10,285	0	0	0	0
CASH, DECEMBER 31	0	2,128	2,128	10,100	10,285	185

Exhibit B

MORGAN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S SEIZURES FUND</u>						
RECEIPTS						
Interest	0	2	2	0	4	4
Total Receipts	0	2	2	0	4	4
DISBURSEMENTS						
Sheriff	95	0	95	91	0	91
Total Disbursements	95	0	95	91	0	91
RECEIPTS OVER (UNDER) DISBURSEMENTS	(95)	2	97	(91)	4	95
CASH, JANUARY 1	95	95	0	91	91	0
CASH, DECEMBER 31	0	97	97	0	95	95
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	3,200	2,416	(784)	1,900	3,202	1,302
Total Receipts	3,200	2,416	(784)	1,900	3,202	1,302
DISBURSEMENTS						
Circuit Judge	1,600	178	1,422	1,800	487	1,313
Total Disbursements	1,600	178	1,422	1,800	487	1,313
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,600	2,238	638	100	2,715	2,615
CASH, JANUARY 1	26,537	26,537	0	23,822	23,822	0
CASH, DECEMBER 31	28,137	28,775	638	23,922	26,537	2,615
<u>ASSOCIATE CIRCUIT COURT INTEREST FUND</u>						
RECEIPTS						
Interest	1,100	1,035	(65)	1,000	1,107	107
Total Receipts	1,100	1,035	(65)	1,000	1,107	107
DISBURSEMENTS						
Associate Circuit Judge	1,089	0	1,089	3,500	493	3,007
Total Disbursements	1,089	0	1,089	3,500	493	3,007
RECEIPTS OVER (UNDER) DISBURSEMENTS	11	1,035	1,024	(2,500)	614	3,114
CASH, JANUARY 1	16,525	16,525	0	15,911	15,911	0
CASH, DECEMBER 31	16,536	17,560	1,024	13,411	16,525	3,114

Exhibit B

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HAVA FUND</u>						
RECEIPTS						
Intergovernmental	15,000	15,000	0			
Interest	25	24	(1)			
Total Receipts	15,025	15,024	(1)			
DISBURSEMENTS						
County Clerk	15,000	13,703	1,297			
Total Disbursements	15,000	13,703	1,297			
RECEIPTS OVER (UNDER) DISBURSEMENTS	25	1,321	1,296			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	\$ 25	1,321	1,296			

The accompanying Notes to the Financial Statements are an integral part of this statement

Notes to the Financial Statements

MORGAN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Morgan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Senate Bill 40 Board, or the Senior Services Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Jury Script Fund for the years ended December 31, 2004 and 2003, the Sheriff Revolving Fund for the year ended December 31, 2004, and the Inmate Security Fund for the year ended December 31, 2003.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Library Fund	2004 and 2003
Senior Services Tax Fund	2004 and 2003
Bad Check Collection Fund	2004
Neighborhood Improvement District Ongoing Construction and Maintenance Fund	2004
Local Law Enforcement Block Grant Fund	2004
Recorder User Fees Fund	2003
Sheriff Fees Fund	2003

Although Section 50.740, RSMo, requires a balanced budget, deficit balances were budgeted in the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	2003
911 Fund	2003
Law Enforcement Sales Tax Fund	2003
Sheriff Fees Fund	2003
MoSmart Grant Fund	2003

These deficits were the result of amending budgeted appropriations without also amending the related funding sources.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, for the Senior Services Fund and Senate Bill 40 Fund, the county's published financial statements for the years ended December 31, 2004 and 2003, included only those amounts that passed through the County Treasurer.

2. Cash

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing

public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2004 and 2003, were entirely covered by federal depository insurance or by collateral securities held by an independent holding bank in the county's name or by an irrevocable standby letter of credit issued by a Federal Home Loan Bank.

The Senate Bill 40 Board's and Senior Services Board's deposits at December 31, 2004 and 2003, were entirely covered by federal depository insurance.

However, because of significantly higher bank balances for the Senior Services Board at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Prior Period Adjustments

The Collector Tax Maintenance Fund's cash balance of \$2,738 at January 1, 2003, was not previously reported but has been added.

The Circuit Clerk Interest Fund's cash balance at January 1, 2003, as previously stated, has been increased by \$394 to reflect an unidentified difference between accounting records and the amount presented in the prior audit report.

The Health Center Fund's cash balance of \$89,874 at January 1, 2003, was previously reported but has been removed from this report because the Health Center has engaged a CPA firm to perform an audit for the two years ended December 31, 2004.

Supplementary Schedule

Schedule

MORGAN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2004	2003
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state				
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Childre	ERS045-3171W	\$ 0	42,879
		ERS045-4171	42,627	11,458
		ERS045-5171	13,588	0
	Program Total		56,215	54,337
10.559	Summer Food Service Program for Childre	ERS146-31711	0	260
		ERS146-4171i	65	0
	Program Total		65	260
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
Cape Girardeau County -				
16.580	Edward Byrne Memorial State and Local Law Enforcemer Assistance Discretionary Grants Program	SD-2003-13	0	49,208
		SD-2004-24	39,493	0
	Program Total		39,493	49,208
State Department of Public Safety				
16.592	Local Law Enforcement Block Grants Program	2001-LBBX1909	0	3,217
		2002 LBBX-1298	7,452	1,565
	Program Total		7,452	4,782
Missouri Sheriffs' Association -				
16	Domestic Cannabis Eradication/Suppression Program	N/A	1,602	1,228
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Constructior	BRO-NBIL-071(6)	7,956	30,878
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration				
39.003	Donation of Federal Surplus Personal Property	N/A	299	371
Passed through Secretary of State				
39.011	Election Reform Payment:	N/A	13,703	0

Schedule

MORGAN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2004	2003
U.S. DEPARTMENT OF HOMELAND SECURITY				
	Passed through state Department of Public Safety			
83.562	Public Assistance Grants	N/A	5,700	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state			
	Department of Health and Senior Services -			
93.268	Immunization Grants	N/A	27,057	32,920
		N/A	2,142	0
		PGA064-3171A	0	2,150
		PGA064-4171A	0	1,900
	Program Total		29,199	36,970
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc	A0C03380052	0	42,907
		A0C04380087	48,541	18,203
		A0C05380123	22,248	0
		A0C03380059	0	33,779
		A0C04380029	30,968	25,159
		ERS161-30001	0	1,325
		ERS161-40070	1,392	1,159
		ERS161-50071	591	0
	Program Total		103,740	122,532
	Department of Social Services -			
93.563	Child Support Enforcemen	N/A	118	550
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	PGA067-3171C	0	1,000
		PGA067-3171S	0	330
		PGA067-4171C	845	0
		PGA067-4171S	444	250
		PGA067-5171S	80	0
	Program Total		1,369	1,580
	CEMO Cares -			
93.912	Rural Health Care Services Outreach and Rural Health Network Development Program	1 D04 RH 00518-01	55,506	22,946

Schedule

MORGAN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2004	2003
	Department of Health and Senior Services -			
93.994	Maternal and Child Health Services Block Grant to the States	ERS175-3046F	0	2,434
		ERS175-1171F	0	2,965
		N/A	0	297
		A0C02380196	0	1,750
		A0C03380065	0	2,128
		A0C04380015	14,762	9,551
		A0C05380089	7,275	0
		A0C05380090	3,150	0
		A0C05380091	2,625	0
		A0C05380092	7,275	0
		A0C05380093	3,075	0
	Program Total		<u>38,162</u>	<u>19,125</u>
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Program	2204-GE-T4-0049	24,430	0
	Total Expenditures of Federal Award:		\$ <u>385,009</u>	<u>344,767</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

Notes to the Supplementary Schedule

MORGAN COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Morgan County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of the property at the time of receipt.

Amounts for the Immunization Grants (CFDA number 93.268) and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2004 and 2003.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Morgan County, Missouri

Compliance

We have audited the compliance of Morgan County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2004 and 2003. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Morgan County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2004 and 2003. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 04-01.

Internal Control Over Compliance

The management of Morgan County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 04-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information and use of the management of Morgan County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

June 2, 2005 (fieldwork completion date)

Schedule

MORGAN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2004 AND 2003

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes x no
- Reportable conditions identified that are not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes x no
- Reportable condition identified that is not considered to be a material weakness? x yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? x yes no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance

93.912 Rural Health Services Outreach and Rural Health Network Development Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

04-01	Schedule of Expenditures of Federal Awards
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Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health and Senior Services
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity	
Identifying Number:	ERS045-3171W, ERS045-4171, ERS045-5171
Award Year:	2004 and 2003
Questioned Costs:	Not applicable
Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Department of Health and Senior Services
Federal CFDA Number:	93.283
Program Title:	Centers for Disease Control and Prevention - Investigations and Technical Assistance
Pass-Through Entity	
Identifying Number:	A0C03380052, A0C04380087, A0C05380123, A0C03380059, A0C04380029, ERS161-30001 ERS161-40070, ERS161-50071
Award Year:	2004 and 2003
Questioned Costs:	Not applicable

Federal Grantor: U.S. Department of Health and Human Services
Pass-Through Grantor: CEMO Cares
Federal CFDA Number: 93.912
Program Title: Rural Health Services Outreach and Rural Health Network
Development Program
Pass-Through Entity
Identifying Number: 1 D04 RH 00518-001
Award Year: 2004 and 2003
Questioned Costs: Not applicable

Section .310(b) of Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget.

The county and health center do not have procedures in place to adequately track federal awards for preparation of the SEFA. Although the amounts presented on the 2003 SEFA were generally accurate, several programs were omitted from the 2004 SEFA which was understated by approximately \$162,000. In addition, pass-through entity identifying numbers were not indicated on the 2004 SEFA schedule and only one pass-through entity identifying number was included on the 2003 SEFA schedule.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk and Health Center Administrator prepare a complete and accurate schedule of expenditures of federal awards to submit to the State Auditor's Office as part of the annual budget.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk indicated she will implement the recommendation. The Health Center Administrator indicated she agrees with the recommendation and will prepare a complete and accurate SEFA to give to the County Clerk.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

MORGAN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2002, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

MORGAN COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS -
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

Findings - Two Years Ended December 31, 2000

00-3. Schedule of Expenditures of Federal Awards (SEFA)

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	16.592
Program Title:	Local Law Enforcement Block Grants Program
Pass-Through Entity	
Identifying Number:	2000-BU-BX-3025
Award Years:	2000 and 1999
Questioned Costs:	Not applicable

Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	83.544
Program Title:	Public Assistance Grants
Pass-Through Entity	
Identifying Number:	FEMA-1253-DR-MO
Award Years:	2000 and 1999
Questioned Costs:	Not applicable

The county did not have a procedure in place to adequately track federal awards for preparation of the SEFA.

Recommendation:

The County Clerk prepare a complete and accurate schedule of expenditures of federal awards to submit to the State Auditor's Office as part of the annual budget.

Status:

Not implemented. See finding number 04-01.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

MORGAN COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Morgan County, Missouri, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated June 2, 2005. We also have audited the compliance of Morgan County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2004 and 2003, and have issued our report thereon dated June 2, 2005.

Because the Health Center Board is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed applicable information.

In addition, we have audited the operations of elected officials with funds other than those presented in the financial statements to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.
2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the county board referred to above. In addition, this report includes any

findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Morgan County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. County Procedures and Published Financial Statements
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The County Commission approved an unallowable expenditure from the Special Road and Bridge Fund, the budgets did not adequately project the anticipated financial condition for one fund, and the published financial statements did not include all financial activity as required by state law. In addition, the current compensatory time policy neglects to address all necessary aspects of such a policy. A formal road and bridge maintenance plan has not been prepared, there are not current written contracts with the special road districts, and the County Commission does not monitor usage of monies distributed to the special road districts. Bids were not always solicited or documentation retained by county officials.

- A. During 2003, the County Commission authorized repavement of the Morgan County Justice Center parking lot, costing \$10,107 from the Special Road and Bridge Fund. The monies credited to the Special Road and Bridge Fund are legally restricted to disbursements for road and bridge purposes. As a result, the County Commission should consider reimbursing the Special Road and Bridge Fund \$10,107 from the General Revenue Fund or the Law Enforcement Sales Tax Fund.
- B. The county's budgets did not adequately project the anticipated financial condition for the Neighborhood Improvement District Ongoing Construction and Maintenance Fund. The anticipated disbursements were significantly under/overstated resulting in an anticipated ending cash balance that was significantly different than actual.

For the budget documents to be of maximum assistance to the county as a planning tool and to adequately inform county residents of the current financial position and operations, the budgets should reflect reasonable estimates of receipts and disbursements, and the anticipated ending cash balances.

- C. The county's annual published financial statements did not include all financial activity as required by state law. Only the monies received by the County Treasurer and distributed to the Senior Services and Senate Bill 40 Funds were included in the 2004 and 2003 published financial statements. The fund disbursements and cash balances for these two funds were not included. In addition, the amounts of bonded debt and other related bond information was not included in the published financial statements for the bonds issued for the Morgan County Justice Center and the various neighborhood improvement district projects. For the published financial statements

to adequately inform the citizens of the county's financial activities, financial information for all county funds and other required information should be included.

Sections 50.800 and 50.810, RSMo, require the county financial statements to be prepared and published in a local newspaper and show actual receipts or revenues, disbursements or expenditures, and beginning and ending balances for each county fund. In addition, it requires the presentation of bonded debt of the county and other information related to bond activity.

- D. The county's compensatory time policy does not address the issues of maximum accumulation of compensatory time and usage periods for some employees. The current employee personnel manual addresses how compensatory time for all county employees may be earned. In addition, it addresses the maximum accrual of compensatory time that can be earned by Sheriff Department's employees, but does not address the maximum accrual that can be earned by other county employees. Because of the lack of a comprehensive policy, some county employee compensatory time balances are not being adequately monitored. Excessive compensatory time balances represent a large liability for a county which could require significant cash resources upon payment. Upon our request, the County Clerk compiled compensatory time accumulated for the Sheriff and Road and Bridge departments' employees, which are generally the departments where employees earn compensatory time. As of April 30, 2005, the total liability was 1,743.5 hours, or approximately \$20,000 (exclusive of fringe benefits). Without a comprehensive policy which is monitored and enforced, the county's potential liability related to compensatory time could become even more significant.
- E. A formal maintenance plan has not been prepared to document expected work on the county's roads and bridges. During each of the years ended December 31, 2004 and 2003, Special Road and Bridge Fund disbursements exceeded \$1 million (excluding distributions to special road districts and administrative transfers). A maintenance plan should be prepared in conjunction with the annual budget and include a description of the roads and bridges to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be referred to in the budget message and be approved by the commission. In addition, the commission should consider holding a public hearing to obtain input from county residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. A plan provides a means to continually and more effectively monitor and evaluate the progress made in repair and maintenance throughout the year.
- F. There are three special road districts located within the county which receive a portion of the county's County Aid Road Trust (CART) revenues. In addition, the

county also distributes a portion of its Marine Gas Tax revenues to one of the special road districts. During the years ended December 31, 2004 and 2003, payments totaling \$203,059 and \$186,517 were made from the Special Road and Bridge Fund to the special road districts, respectively. Our review of the county's distributions to the special road districts noted the following concerns:

1. Payments were made to special road districts without current written contracts. The County Commission entered into written agreements with the three special road districts within the county in March 1994; however, the contracts have not been updated since that time.

There appears to be no statutory authority for the County Commission to make these distributions to the special road districts without some type of contractual agreement. Although the county does have contractual agreements with the road districts, updated written agreements would help ensure that monies distributed to other entities are expended in compliance with constitutional and statutory provisions and as intended by the County Commission.

2. The County Commission does not adequately monitor the special road districts' usage of the CART and Marine Gas Tax funds. While budgets and periodic financial reports are received from some of the special road districts, they are not received for all of the road districts. Section 231.441, RSMo, requires that CART funds be used specifically for construction, maintenance, and repairs of roads and bridges. In addition, Section 142.827, RSMo, requires that Marine Gas Tax funds be used specifically for construction, maintenance, and repairs of public roads in the county which connect a state highway with a lake having one hundred miles of shoreline or more. Without obtaining adequate financial information from the special road districts, the County Commission cannot ensure the road districts are expending the funds in compliance with state law.

- G. Bids were not always solicited or documentation retained of bids solicited in accordance with statute for purchases made by various county officials during the audit period. Examples of items purchased without bids or for which bid documentation was not maintained included the following:

- The Ex Officio Recorder of Deeds entered into a multi-year record microfilming contract costing a minimum of \$1,850 per month, plus shipping, installation, and training on the equipment totaling \$4,900. Bids were not solicited for this contract.
- The Prosecuting Attorney purchased a bad check software system from the Bad Check Collection Fund costing approximately \$8,100. The Prosecuting Attorney stated he discussed the purchase of a bad check software system

with other Prosecuting Attorneys and various vendors; however, no documentation was retained.

Section 50.660, RSMo, requires the advertisement of bids for all purchases of \$4,500 or more, from any one person, firm, or corporation during any period of 90 days. Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all interested parties are given an equal opportunity to participate in county business.

WE RECOMMEND the County Commission:

- A. Ensure Special Road and Bridge funds are restricted to county road and bridge purposes and consider reimbursing the Special Road and Bridge Fund \$10,107 from the General Revenue Fund or the Law Enforcement Sales Tax Fund.
- B. Ensure budget estimates for revenues and expenditures are based on actual expected occurrences.
- C. Ensure all required financial information is properly reported in the published financial statements.
- D. Modify the compensatory time policy to include all issues.
- E. Prepare a formal maintenance plan for county roads and bridges at the beginning of the calendar year and periodically update the plan throughout the year. In addition, the County Commission should review the progress made in the repair and maintenance of the roads and bridges to make appropriate decisions on future projects.
- F.
 - 1. Enter into current written contracts with the special road districts.
 - 2. Ensure adequate financial information is obtained from all special road districts, and monitor the road districts' usage of funds received from the county.
- G. Ex Officio Recorder of Deeds and Prosecuting Attorney solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be retained. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. They plan to reduce the anticipated administrative fee transfer from the Special Road and Bridge Fund to the General Revenue Fund to repay this amount.*
- B. They will try to comply with the recommendation.*
- C&F. The recommendations will be implemented.*
- D. The compensatory time policy in the personnel manual will be amended.*
- E. The recommendation will be implemented and a reference to the plan will be included in the budget message.*
- G. This issue will be addressed with applicable officials.*

The Ex Officio Recorder of Deeds indicated she will try to comply in the future.

The Prosecuting Attorney indicated he agrees with the recommendation; bids will be solicited for purchases of \$4,500 or more and documentation shall be retained.

2. Property Tax System Controls and Lodging Taxes
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Several control weaknesses exist over the property tax system. The County Clerk does not maintain an account book with the County Collector, verify the annual settlements, or reconcile tax additions and abatements to the monthly report received from the County Collector. In addition, the County Clerk does not prepare the current or back tax books or verify the back tax books. Furthermore, the County Collector has not entered into a written agreement with the Tri-County Lodging Association to collect current lodging taxes and the amount collected is not reported on the annual settlement.

- A. The County Clerk does not maintain an account book with the County Collector. As a result, the County Collector's annual settlements are not adequately reviewed. An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. This account book, prepared by the County Clerk from aggregate abstracts, court orders, monthly collection reports, and the tax books, would enable the County Clerk to ensure the amount of taxes charged to the County Collector and reported credits are complete and accurate.*

In addition, the County Clerk does not reconcile original additions and abatements information with the monthly report of additions and abatements received from the

County Collector. The County Collector creates a monthly report of additions and abatements which is forwarded to the County Clerk. The County Clerk maintains the original orders of additions and abatements in the County Commission minutes book; however, the monthly report and original orders are not reconciled to ensure the County Collector is accurately recording all additions and abatements. Once reconciled, this information should be recorded on the account book and used to verify the accuracy of the County Collector's annual settlement.

Section 51.150.2, RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book would enable the County Clerk and the County Commission to verify the County Collector's annual settlements.

- B. The County Clerk does not prepare or verify the back tax books. The County Collector prints both the back tax books and the delinquent tax statements. The property tax system automatically calculates the amount due for delinquent taxes and charges. After the tax bills are printed, the Deputy County Collector indicated she chooses approximately ten delinquent tax statements to verify the accuracy of the amounts to be collected. However, the County Clerk does not verify the delinquent tax book totals. To ensure the back tax books are accurate, the County Clerk should perform procedures such as footing the back tax books or verifying individual entries.

Section 140.050, RSMo, requires the County Clerk to prepare the back tax books. The procedures outlined in the statutes for the preparation of the tax books provide for the separation of duties and act as a form of checks and balances. Failure to perform adequate reviews of the tax books could result in errors and irregularities going undetected.

- C. The County Collector and County Commission have not entered into a written agreement with the Tri-County Lodging Association to collect lodging taxes from businesses located within Morgan County, nor were lodging tax collections and distributions included on the County Collector's annual settlement.

The lodging tax is equal to three percent of the amount of sales or charges for all sleeping rooms offered to the public and paid by transient guests of hotels, motels and resorts situated within the district. The businesses located in Morgan County are required to remit this tax either monthly or quarterly to the County Collector. The monies are distributed to the Tri-County Lodging Association except for a two percent commission which is withheld and distributed to the General Revenue Fund. The County Collector received approximately \$40,000 in lodging taxes during each of the four years ended December 31, 2004. During our review of lodging taxes we noted the following:

- 1. The County Collector and County Commission have not entered into a written agreement with the lodging association outlining the responsibilities

and duties of each party related to the collection of lodging taxes. Written agreements are necessary to prevent misunderstandings and should document the rights, responsibilities, and duties of each party. Such an agreement could include provisions related to the determination of which businesses are required to pay lodging tax, responsibility of collecting and enforcing the payment of current and delinquent lodging taxes, timeliness of distribution of monies collected, and the commission rate. In addition, Section 67.1177, RSMo, states "... the advisory board shall enter into an agreement with the county collector of the county where the district is situated for the purpose of collecting the tax". According to a representative of the Tri-County Lodging Association, the Association considers Section 67.1177, RSMo, to be the agreement between the Association and the County. However, Section 432.070, RSMo, prohibits a county from making a contract unless it is in writing. To ensure compliance with state law and to prevent misunderstandings a written contract should be entered into for the collection of lodging taxes.

2. Collections and distributions of lodging taxes were not included on the County Collector's annual settlements or otherwise reported to the County Commission. Section 139.160, RSMo, states that "...the collector shall. . . settle his accounts of all monies received by him on account of taxes and other sources of revenue. . ." By not including the lodging taxes, the County Collector has not provided the County Commission with an accurate and complete settlement.

WE RECOMMEND:

- A. The County Clerk maintain an account book with the County Collector in accordance with state law. The County Clerk and County Commission should consider using the account book to verify the annual settlements of the County Collector. In addition, the County Clerk should reconcile the original additions and abatements orders to the monthly report of additions and abatements received from the County Collector.
- B. The County Clerk perform and document verification of the back tax books.
- C. The County Commission and County Collector enter into a written agreement for the collection of the lodging taxes. In addition, the County Collector should include lodging tax collections and distribution on the annual settlement.

AUDITEE'S RESPONSE

- A. *The County Clerk and County Commission indicated the recommendation will be implemented.*
- B. *The County Clerk indicated the recommendation will be implemented.*

- C. *The County Collector indicated he has contacted the Tri-County Lodging Association and their attorney is making a written contract agreement. This should be implemented by September 30, 2005. The collections and distributions of lodging taxes will be included in future annual settlements.*

The County Commission indicated they will review the proposed agreement.

3. County Computer Controls

Passwords are not effectively utilized and/or changed periodically and backup disks are not always prepared and stored at an offsite location.

- A. Passwords are not effectively utilized and/or changed periodically to ensure confidentiality. Although the Prosecuting Attorney's staff uses password protection, all employees use the same password. In addition, personnel in the Sheriff's and County Collector's offices do not periodically change their passwords to ensure confidentiality. The lack of an effective system of user passwords may allow unauthorized access and/or changes to the respective systems.

To establish individual responsibility, as well as help preserve the integrity of computer programs and data files, access to information should be limited to authorized individuals through the use of passwords. A password should be assigned to each user of a system, and these passwords should be kept confidential and changed periodically to help limit the effect of unauthorized access to computer files.

- B. Backup disks are not always prepared and stored at a secure off-site location. Backups are not prepared for the Prosecuting Attorney's computer data. In addition, while backups are prepared for all other offices located in the justice center and the County Clerk's office, the backups are not stored off-site. Failure to store computer backup disks at a secure off-site location results in the backup disks being susceptible to the same damage as the data on the computer. Preparation of backup disks, preferably on a daily or at least weekly basis, along with off-site storage, would provide increased assurance that county data could be recreated if necessary.

WE RECOMMEND the County Commission ensure county officials:

- A. Utilize password protection and that employee passwords are periodically changed to prevent unauthorized access to the various computerized operating systems.
- B. Prepare backup disks and that such disks are stored in a secure, off-site location.

AUDITEE'S RESPONSE

The County Commission indicated:

A. *The recommendation will be implemented.*

The County Collector indicated he will utilize password protection and periodically change them.

The Prosecuting Attorney indicated that passwords are used on all computers in the office.

B. *Voter registration data is currently stored off-site and the recommendation will be implemented for other offices.*

The Prosecuting Attorney agrees with the recommendation and backup disks are prepared weekly and stored at a secure offsite location.

4. General Fixed Assets

The County Commission has not developed a written policy related to the handling and accounting of fixed assets. A written policy providing guidance on accounting and record keeping of fixed assets should define who is responsible for inventory records, the procedures to be followed, and the content of the records. Due to the lack of oversight regarding fixed assets, the necessary records, procedures, and controls which would ensure compliance with state law and proper handling of fixed assets have not been developed and implemented. We noted the following deficiencies related to the handling of fixed assets:

- An updated listing of all county property has not been maintained.
- Additions and deletions of county property have not been accurately tracked.
- Property tags have not been affixed to most county property since 1999.
- Annual physical inventories have not been conducted for most county property since 1999.

County property purchased for use in the Morgan County Justice Center was affixed with property tags and recorded on a general fixed assets listing in 2000; however, the fixed asset listing for the justice center has not been updated since that time. A general fixed asset listing is maintained by the 911 director for 911 asset purchases; however, the listing did not appear complete. In addition, during our review of expenditures, we noted eight items, totaling approximately \$35,000, which were not recorded on the county's general fixed asset listing or tagged as county property. These items included a rock breaker, printers, computers, and copy machines.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper

insurance coverage required on county property. Physical inventories of county property are necessary to ensure fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. In addition, Section 49.093, RSMo, requires each county official or the county official's designee to assume the responsibility for performing an annual inventory of all personal property belonging to the county with an individual value of two hundred fifty dollars or more or any property with an aggregate value of one thousand dollars or more. In the event an official or the official's designee does not perform such as inventory, the county clerk is required to inventory all remaining property. The reports required by this section shall be signed by the County Clerk. Property control tags should be affixed to all fixed asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for general fixed assets. Besides providing guidance on accounting and record keeping, the policy should include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset dispositions, and any other concerns associated with county property. In addition, all fixed asset purchases and dispositions should be recorded as they occur, fixed asset purchases should be reconciled to additions on the inventory records, and purchased items should be tagged or identified as county-owned property upon receipt. The County Clerk should ensure physical inventories are performed annually.

AUDITEE'S RESPONSE

The County Commission and County Clerk indicated they are in the process of implementing the recommendation.

5. Vehicle Procedures

The County Commission does not have a written policy regarding the use of county owned vehicles. In addition, controls and monitoring of county owned vehicle usage and mileage reimbursements are in need of improvement.

The County Commission does not have a written policy regarding the use of county owned vehicles. In addition, vehicle mileage logs are not maintained for some vehicles and personal usage logs are not submitted to the county by employees who are allowed to use county owned vehicles for commuting purposes. Additionally, fuel billing statements are not adequately reconciled with vehicle expense logs and the county's mileage reimbursement policy does not require adequate detailed information.

A listing is not maintained of county owned vehicles other than Sheriff Department vehicles; however, the county's 2004 insurance policy schedule includes 47 vehicles (exclusive of heavy equipment and trailers). The vehicles are assigned to the Sheriff and his deputies, County Commissioners, Emergency Management Supervisor, and various employees of the

Road and Bridge Department. In addition, other vehicles assigned to the county's Road and Bridge and Sheriff Departments are considered pool vehicles and are used by county personnel of the respective departments when needed. For those departments not assigned county vehicles, employees use their personal vehicles and request mileage reimbursement. We noted the following concerns related to vehicle usage monitoring:

- A. The County Commission has not developed a written policy regarding the use of county vehicles. A formal written county vehicle policy is needed to inform county officials and employees of the vehicles' proper use, outline usage log documentation requirements, address and define personal use of vehicles, and ensure compliance with related IRS guidelines and reporting requirements.
- B.
 - 1. Vehicle mileage logs are not maintained for county vehicles other than the Sheriff's Department transport vehicles. Vehicle logs are necessary to document appropriate use of the vehicles and support fuel charges. Vehicle logs should include the date, vehicle operator, purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure all mileage is recorded and the vehicles are being properly utilized.
 - 2. Vehicle expense logs are maintained for vehicles assigned to Sheriff deputies; however, there is no independent reconciliation of the logs to monthly billing statements and the gas purchases and mileage amounts recorded on the logs are not reviewed for reasonableness. Sheriff Department deputies purchase gasoline for county owned vehicles through the gas purchasing cards and the county receives a monthly billing statement for these purchases. When gasoline is purchased for these vehicles, the deputies document the mileage of the vehicle and number of gallons purchased on the vehicle expense logs. The information on these logs is not utilized in any way to ensure billings are correct or mileage driven and gas purchased is reasonable. Disbursements for gasoline reflected on the Law Enforcement Sales Tax Fund budget totaled approximately \$55,000 and \$32,000 during 2004 and 2003, respectively. To ensure the validity and propriety of amounts billed and mileage driven, the vehicle expense logs should be reconciled to the monthly billing statement and reviewed for reasonableness.
- C. Procedures have not been established to ensure Internal Revenue Service (IRS) regulations are followed. Personal usage logs are not submitted to the county by various employees, including the County Commissioners, Emergency Management Administrator, and several road and bridge employees, who are allowed to use county vehicles to commute to and from work. In addition, the county does not report personal commuting mileage to the IRS.

IRS reporting guidelines provide that personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Failure to comply with IRS guidelines may subject the county to penalties and/or fines for failure to report all taxable benefits.

- D. The county's current mileage reimbursement policy does not require adequate detailed information. The current policy requires only total miles driven, by odometer, be included. Additional information should be required by policy to be included on mileage reimbursement requests, such as dates, destinations traveled and purpose of official county business. To ensure mileage reimbursement requests are reasonable and represent valid expenditures, the establishment and enforcement of a policy which requires adequate detailed information is necessary.

WE RECOMMEND the County Commission:

- A&C. Establish a written policy regarding the appropriate use of county vehicles. The policy should include necessary definitions, address allowable and unallowable use of vehicles and the records required to account for such use, justification for assigning vehicles to individuals, and justification for commuting. In addition, the county should comply with IRS guidelines related to commuting use, as appropriate.
- B.1. Ensure vehicles logs are maintained for all county vehicles. In addition, the logs should be reviewed for accuracy and reasonableness.
2. Ensure vehicle expense logs are reconciled to billing statements. In addition, the logs should be reviewed for reasonableness.
- D. Develop and enforce a mileage reimbursement policy which requires destination and purpose, in addition to the information already required.

AUDITEE'S RESPONSE

The County Commission indicated:

A&C. A policy will be established and compliance with IRS guidelines will be discussed.

B.1. This has not been successful in the past and the recommendation will not be implemented.

B.2. The recommendation will be implemented. The Sheriff indicated he will provide copies of the expense logs to the County Commission.

D. They will attempt to develop and enforce a policy.

6. Prosecuting Attorney's Accounting Controls and Procedures

Accounting duties over bad check restitution monies were not adequately segregated. In addition, controls over the electronic accounting system maintained to account for the bank account activity of bad check and court ordered restitution monies are in need of improvement. Furthermore, fees were not remitted in a timely manner, and some expenditures from the Law Library bank account did not appear proper.

The Prosecuting Attorney collected and deposited bad check fees and restitution and victim restitution monies totaling approximately \$228,000, \$123,000, \$140,000, and \$140,000 during 2004, 2003, 2002, and 2001, respectively.

- A. Accounting duties over bad check restitution monies were not adequately segregated. One individual was responsible for receipting, recording, depositing, and preparing the disbursement checks for these monies. While an independent person prepared the monthly bank reconciliation, there was no independent reconciliation of the composition and total of monies received to bank deposits. In addition, there was no independent review of information posted to case files for either bad check or court ordered restitution.

To ensure proper accountability, the duties of receiving and recording bad check restitution payments should be segregated from the duties of depositing and disbursing monies. If the duties cannot be adequately segregated, at a minimum, someone independent should periodically review the bad check records and compare records of monies received with deposits and documentation of disbursement to the victims, as well as ensuring recorded dispositions appear proper. In addition, information posted to case files should be periodically reviewed to ensure amounts collected and disbursed appear proper. Failure to adequately segregate duties or provide supervisory review increases the risk that errors or irregularities will not be detected in a timely manner.

- B. Controls over the electronic accounting system maintained to account for the bank account activity of bad check and court ordered restitution monies are in need of improvement. Our review of the accounting system and bank reconciliations noted the following concerns:

1. All deposits and disbursements for bad check collections and court ordered restitution are recorded in the accounting system; however, the accounting system is not updated timely. According to the legal clerk that maintained the system, total deposits and disbursements made into/from the bank account for the month were generally posted at the beginning of the following month when the bank reconciliation was performed.

To ensure accounting records are accurate and reflect current information, deposits should be posted in a timely manner.

2. Bank reconciliations were not retained. The legal clerk indicated she prepared the bank reconciliation through the accounting system program, but did not retain the reconciliation. Upon our request, the April 2005 bank reconciliation was retained. This bank reconciliation contained numerous errors, including deposits which cleared the bank but were still considered uncleared, and outstanding checks not included as reconciling items. In addition, the legal clerk stated she compared the reconciled cash balance to open items; however, she was unable to produce a listing of open items. Although we requested an updated open items listing, a listing was not prepared.

Monthly listings of open items and accurate and complete bank reconciliations should be prepared and reconciled to ensure all monies are accounted for properly, accounting records are in balance, errors are detected and corrected on a timely basis, and sufficient funds are available for the payment of all liabilities.

3. The Prosecuting Attorney's office has not established procedures to routinely follow up on outstanding checks. At April 18, 2005, the Prosecuting Attorney's general bank account had outstanding checks totaling approximately \$4,800 that were between four and nine years old and an additional \$3,700 that were over one year old. These old outstanding checks create additional and unnecessary recordkeeping responsibilities. The Prosecuting Attorney should adopt procedures to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located or identified, these monies should be disposed of in accordance with state law.
4. The Prosecuting Attorney's office has not established procedures to follow up on old bank accounts. The dormant Prosecuting Attorney Trust Fund account was opened during the prior Prosecuting Attorney's term of office and carries a balance of \$521. The status of the old open items should be reviewed to determine if any disbursements are necessary. If disbursement is possible, but proper payees cannot be located the monies should be disposed of in accordance with state law.

- C. Fees received were not always transmitted to the County Treasurer on a timely basis. The Prosecuting Attorney's office collects bad check and Missouri Office of Prosecution Services (MOPS) fees, deposits them into the Prosecuting Attorney Trust Fund bank account, and disburses the monies to the County Treasurer. Total combined bad check and MOPS fees averaging approximately \$1,600 and \$1,200 per month were collected during 2004 and 2003, respectively. November and December

2004 fees were not distributed until February 2005 and February and March 2004 fees were not distributed until the end of April 2004. Similar delays in turnovers were noted during 2003 and 2002. Section 56.340, RSMo, requires that the Prosecuting Attorney turn over all fees collected to the County Treasurer monthly.

- D. During the two years ended December 31, 2004, payments for cellular telephone and pager charges totaling approximately \$950 were made from the Law Library Fund. Sections 488.426 through 488.429, RSMo, restrict Law Library Fund expenditures to disbursements for maintaining the law library. Effective August 28, 2004, these monies may also be used for courtroom renovation, technology enhancement or debt service on county bonds for such renovation or enhancement projects. As a result, it appears \$950 is due to the Law Library Fund from the General Revenue Fund or Bad Check Collection Fund.

Condition A was noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

- A. Provide for adequate segregation of duties and/or perform independent reconciliations and reviews of accounting records.
- B.1. Ensure the cash control system is updated timely and provides a complete and accurate representation of the office's accounting activity.
- 2. Prepare and retain monthly bank reconciliations and listings of open items. Bank reconciliations should be compared to open items listing and any differences should be investigated and resolved.
- 3&4. Process old outstanding checks according to the law and turn over to unclaimed fees if the owner of the funds cannot be located. In addition, ensure all monies in the dormant Prosecuting Attorney Trust Fund account are distributed to the appropriate funds or parties. For any amounts that remain unclaimed or unidentified, the monies should be disposed of in accordance with state law.
- C. Ensure bad check and MOPS fees are transmitted to the County Treasurer on a timely basis.
- D. Ensure Law Library funds are expended in accordance with state law. In addition, the Law Library Fund should be reimbursed \$950 from the General Revenue Fund or the Bad Check Collection Fund.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated he agrees with the recommendations. He also indicated that:

- A. Since the audit, segregation of duties has been established.*
- B.1. The accounting system is now updated weekly.*
 - 2. One person is responsible for all bank reconciliations, retention of documents needed for paper trails, and files. Copies of every check deposited and the deposit slip are kept to reconcile the account. A separate account has been opened for restitution for cases not involving bad checks and the trust account is for bad check restitution only. An open items list is being created. The accounts will be balanced on a monthly basis at the same time of account reconciliation.*
 - 3. During the monthly bank reconciliation the list of old outstanding checks will be updated and the location of payees reviewed. If payees cannot be located or identified, after six months, these monies shall be disposed of in accordance with state law.*
 - 4. The old bank account shall be disposed of in accordance with state law by October 1, 2005.*
- C. All fees will be sent to the Treasurer no later than the tenth day of each month.*
- D. The Law Library Fund shall be reimbursed in the sum of \$950 from the Bad Check Collection Fund.*

7. Sheriff's Accounting Controls and Procedures
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Duties over cash custody and record keeping are not adequately segregated and controls over various accounting functions are in need of improvement. In addition, billing statements submitted by the Sheriff for housing Bureau of Immigration and Customs Enforcement and U.S. Marshalls Service prisoners were not always accurate or timely.

- A. The duties of cash custody and record keeping are not adequately segregated. One Sheriff's office employee is primarily responsible for recording, depositing, and disbursing fee, bond and escrow monies. Another employee is primarily responsible for recording, depositing, and disbursing inmate and commissary monies. There are no documented supervisory reviews of the accounting records. In addition, there are no independent reconciliations between monies received and deposited.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a

minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Controls over the functions of cash receipting, depositing, disbursing, and reconciling procedures are in need of improvement. Our review of these functions revealed the following concerns:
1. The numeric sequence of receipt slips issued for inmate monies received at the jail is not accounted for properly. Generic, pre-numbered receipt slips are issued for all monies received; however, the books are not purchased or issued in numerical order. To adequately account for all receipts, official pre-numbered receipt slips should be issued for all monies received and the numerical sequence should be accounted for.
 2. Checks and money orders received for inmate monies and bonds are not endorsed immediately upon receipt by the booking section. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
 3. Deposits are not made timely when the employee assigned the duties of depositing monies into the general and escrow accounts is absent for extended periods. Bond monies and sheriff fees collected in the month of December 2004, totaling over \$8,900, were not deposited until January 2005. Cash, checks, and money orders related to bond monies and sheriff fees totaling \$2,994 which were received between February 28, 2005 and March 7, 2005, were not deposited until March 8, 2005. The Office Manager indicated the untimely deposits were the result of leave taken by the employee who deposits these monies. To adequately safeguard receipts, procedures should be developed to ensure timely deposits in the absence of employees who normally performed that task.
 4. The Sheriff's office has not established procedures to routinely follow up on outstanding checks and old bank accounts. At December 31, 2004, the inmate commissary account had outstanding checks totaling approximately \$690 that were over one year old. In addition, the Sheriff is holding approximately \$680 in an old inmate account which cannot be traced to specific inmates, and \$6,800 in an old escrow account that was confiscated during various investigations, some of which date back to 1994. These old outstanding checks and accounts create additional and unnecessary recordkeeping responsibilities. The Sheriff should adopt procedures to routinely follow up on outstanding checks and bank accounts, and reissue checks if payees can be identified and located. If payees cannot be identified or located, these monies should be disposed of in accordance with state law.

5. Listings of open items for inmate monies are not prepared and compared to cash balances in the inmate commissary bank account. The cash balance in the account at December 31, 2004, was approximately \$15,900. Although requested, an open items listing for the account was not prepared. Monthly listings of open items should be prepared and reconciled to the reconciled bank balance to ensure all monies are accounted for properly, accounting records are in balance, errors are detected and corrected on a timely basis, and sufficient funds are available for the payment of all liabilities.
6. The Sheriff receives commissions on inmate commissary purchases and telephone card sales. These monies are deposited in the inmate commissary bank account. In addition, the Sheriff does not account for the receipts or disbursements related to these commissions. Based on information obtained from the Sheriff and the commissary vendor, commissions received in 2004 and 2003 were approximately \$6,600 and \$2,100, respectively.

Maintaining these funds outside the county treasury circumvents the appropriation process and the checks and balances system in place for most other county funds. In addition, there is no statutory authority for the Sheriff to maintain such accounts outside the county treasury. Attorney General's Opinion No. 45, 1992 to Henderson, states "...sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury." The current balance of commissions from commissary purchases and telephone card sales should be transmitted to the County Treasurer and future receipts should be transmitted to the County Treasurer.

- C. The Sheriff participates in contracts to house persons detained by the Bureau of Immigration and Customs Enforcement and U.S. Marshals Service in the Morgan County jail. Approximately \$956,000 and \$295,000 was received by the county as the result of these two contracts during 2004 and 2003, respectively. Our review of these contracts and related billings noted the following concerns:

1. Most billings submitted by the Sheriff to the U.S. Marshals Service in 2003 and 2004 were adjusted by the U.S. Marshals Service. We noted four months during this time period where the billings were each adjusted over \$1,500 because the U.S. Marshals Service either added prisoners that had not been billed by the county or adjusted the number of days prisoners were housed in Morgan County. Monthly billings are prepared using the computerized inmate tracking system. It appears that U.S. Marshals prisoners are not always correctly identified in the tracking system. For those prisoners properly identified as U.S. Marshals prisoners, the system does not always correctly compute the number of days held. In addition, we noted several billings which were not submitted in a timely manner to the U.S. Marshals Service. The March, April, and August 2004 billings were each submitted at least two months after the prisoners were housed in Morgan County.

Accurate and timely billings to the U.S. Marshals Service are necessary to ensure all revenues earned are received in a timely manner.

2. When adjustments to the Sheriff's billings were made by the U.S. Marshals Service, the Sheriff did not properly investigate the discrepancies to ensure adjustments were proper. Proper follow-up of any discrepancy identified by the U.S. Marshals Service is necessary to ensure full payment for services rendered is received.

WE RECOMMEND the Sheriff:

- A. Provide for adequate segregation of duties and/or perform independent reconciliations and reviews of accounting records.
- B.1. Purchase official prenumbered receipt slip books and account for the numerical sequence of receipts issued.
 2. Ensure checks and money orders are restrictively endorsed immediately upon receipt.
 3. Develop procedures to ensure monies are deposited timely in the absence of key employees who perform this task.
 4. Investigate old outstanding checks and bank accounts. If the owner of the funds cannot be identified or located the monies should be disposed of in accordance with state law.
 5. Prepare monthly listings of open items and reconcile the listings to the cash balance. Differences should be investigated and resolved.
 6. Transfer the balance and turn over all future commissary and phone card commissions to the County Treasurer.
- C.1. Ensure billings submitted to the U.S. Marshals Service for housing their prisoners are accurate and timely.
 2. And the County Commission ensure any discrepancies between billings submitted to the U.S. Marshals Service and adjustments made by the U.S. Marshals Service are investigated and resolved.

AUDITEE'S RESPONSE

The Sheriff indicated:

- A. *He does not have the manpower to segregate duties. He reviews documentation as much as possible. He will periodically compare receipts to deposits and will document the review.*

B.1-3

&5 The recommendations will be implemented.

B.4. The old inmate account of \$680 was turned over to the County Treasurer as unclaimed property on July 12, 2005. One distribution has been made from the old escrow account and his staff is currently investigating the other monies in this account. If the distribution of the escrow account is not resolved by December 31, 2005, the monies will be turned over to the County Treasurer to be forwarded to the State Treasurer as unclaimed property. His staff will investigate or turn over old outstanding checks in the inmate commissary account and will continue to follow up on old outstanding checks.

B.6. He will consider turning these monies over to the County Treasurer and will discuss this with the County Commission.

C1

&2. This is a bookkeeping problem. An independent third person that works with both federal agencies will review the listing of U.S. Marshall prisoners before billings are submitted. They will continue to investigate differences.

C.2. The County Commission indicated they will discuss this recommendation with the Sheriff.

8. Associate Circuit Division Accounting Controls and Procedures

Accounting duties over traffic monies are not adequately segregated, open items listings are not prepared for the civil and traffic accounts, bank reconciliations for the bond account are not performed in a timely manner, and old outstanding checks and bond monies are not adequately investigated. In addition, a listing of accrued costs owed to the court for traffic and civil cases is not maintained and monitored properly.

A. The duties of receipting, depositing, and performing bank reconciliations for traffic monies are not adequately segregated. Both clerks share the duties of receiving, while one clerk deposits and prepares bank reconciliations and the other clerk disburses monies. There is no documentation that an independent review of the amount and composition of deposits and accounting records is performed. Better segregation could be achieved by separating the duties of depositing and performing bank reconciliations.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the functions of receiving and depositing traffic monies from that of reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of recorded receipts and bank deposits and a review of bank reconciliations.

B. Our review of procedures related to open items and bank reconciliations noted the following concerns:

1. Monthly bank reconciliations on the bond account were not prepared in a timely manner. The July through December 2004 bank reconciliations were completed in March and April 2005. In addition, as of June 2, 2005, the bank reconciliations for January through April 2005 had not been performed. The ending bank balance on the bond bank statement for April 2005 was approximately \$77,800.
2. Monthly listings of open items (liabilities) were not prepared for the civil or bond accounts, and consequently, liabilities were not reconciled with cash balances. Upon our request, an open items listing was prepared for the civil account as of March 31, 2005. The reconciled account balance totaling approximately \$25,200 exceeded identified open items by approximately \$9,700. In addition, the open items listing included cases that had been dismissed or closed. Although requested, an open items listings for the bond account was not completed.
3. The Associate Division has not established procedures to routinely follow up on outstanding checks. At December 31, 2004, the Associate Division had outstanding checks over one year old, totaling approximately \$626. These old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located the amount should be disbursed in accordance with state law.

Monthly listings of open items and bank reconciliations should be prepared and reconciled to ensure all monies are accounted for properly, accounting records are in balance, errors are detected and corrected on a timely basis, and sufficient funds are available for the payment of all liabilities. Any unidentified differences should be investigated.

C. Listings of accrued costs owed to the court for civil or traffic monies are not maintained and monitoring procedures related to accrued costs are not adequate. Associate Circuit Division procedures for following-up on accrued costs include issuing monthly letters for accrued civil costs and issuing warrants at three to four month intervals for accrued traffic costs. In reviewing the civil accrued cost case fee sheets, we found five cases of seventeen reviewed where past due letters were not issued for uncollected fees and there was no payment activity. Our review of the traffic division's procedures found that for six of the nine cases reviewed, a warrant was not issued in accordance within the Associate Circuit Division's established time frame.

A complete and accurate listing of accrued costs would allow the Associate Court to more easily review the amounts due to the court and to take appropriate steps to ensure amounts owed are collected on a timely basis. Inadequate procedures for the collection of accrued court costs may result in lost revenues.

- D. The proper disposition of the reserve bond account has not been determined. This account was opened in January 1994 for bond monies received prior to 1990. The only account activity is an annual transfer of the interest earned to the interest bank account. At December 31, 2004, the reserve bond account had a balance of \$15,990, which is the same amount deposited in 1994 establishing the account. The status of old open items should be routinely reviewed to determine if any disbursements are necessary. If disbursement is possible, but proper payees cannot be located the monies should be disposed of in accordance with state law. This condition was noted in a previous report.

WE RECOMMEND the Associate Circuit Division:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Prepare monthly listings of open items and bank reconciliations and reconcile the listings to the cash balances. Differences should be investigated and any monies remaining unidentified should be disposed of in accordance with state law. In addition, procedures to routinely follow up on old outstanding checks should be established.
- C. Maintain a listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection.
- D. Ensure all monies in the reserve bond account are distributed to the appropriate funds or parties. For any amounts that remain unclaimed or unidentified, the monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Associate Circuit Judge indicated they are preparing to implement the Justice Information System (JIS) in November 2005 and will address all of the recommendations at that time.

9. Assessor's Accounting Control and Procedures
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Controls over monies received by the Assessor are in need of improvement. Prenumbered receipt slips are not issued for all monies received and do not always indicate method of payment, and checks are not restrictively endorsed immediately upon receipt. The Assessor transmitted approximately \$4,500 and \$2,300 to the County Treasurer during the years ended

December 31, 2004 and 2003, respectively, from the sale of maps and photocopies. While the Assessor does not collect a large amount of fees, control weaknesses such as these need to be improved. Our review identified the following control weaknesses:

- A. Prenumbered receipt slips are not issued for all monies received. The Assessor's office uses request forms as receipt slips, which include the name of the customer, date of the request, number of copies or maps ordered, amount collected, and if applicable, the map numbers. These forms are not prenumbered and the method of payment is not always indicated on the form. Although it appears the Assessor does compare the request forms to the amount turned over to the County Treasurer, because the request forms are not prenumbered, the Assessor cannot ensure all request forms and related monies are accounted for.

To help ensure receipts are properly recorded and transmitted, the request forms used by the Assessor's office should be prenumbered. In addition, the request forms should indicate method of payment and the composition of monies received should be reconciled to the composition of the monies transmitted to the County Treasurer.

- B. Checks are not restrictively endorsed immediately upon receipt. Endorsements are applied after monies are turned over to the County Treasurer. To adequately safeguard receipts, all checks should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Assessor:

- A. Ensure the request forms are prenumbered. In addition, the Assessor should ensure the method of payment is indicated on all request forms and a reconciliation of the composition of receipts to the composition of monies transmitted to the County Treasurer should be performed.
- B. Restrictively endorse checks immediately upon receipt.

AUDITEE'S RESPONSE

The County Assessor indicated:

- A. *He collects these fees as a convenience to the taxpayer and will continue with his current procedures. However, if the county will pay the expense of prenumbered receipt slips from the General Revenue Fund he will use them and if there is a cash/check box his employees will mark the box.*
- B. *He will not implement the recommendation.*

The County Clerk does not have adequate controls or records related to the proceeds of the soda and vending machines located in the County courthouse. Cash disbursements using the proceeds are made by the County Clerk to replenish soda and vending machine products. The County Clerk periodically turns over excess proceeds to the County Treasurer who maintains a bank account for the funds which are used to pay for the county's annual Christmas party. In 2004 and 2003, approximately \$220 and \$620 were turned over to the County Treasurer, and \$595 and \$550 expended for the annual Christmas party. At February 14, 2005, we counted cash on hand related to these monies totaling approximately \$175.

There are two vending machines and one soda machine located in the lower level of the courthouse. The County Clerk's office is responsible for ordering and purchasing soda and vending machine inventory, replenishing the machines, and emptying the change from the machines on a periodic basis. Our review of the County Clerk's controls over these monies noted the following concerns:

- The monies are not turned over to the County Treasurer timely.
- Accounting records to account for receipts, disbursements, and cash balances are not maintained.
- Invoices of soda and vending machine purchases are not always maintained.

Without proper accounting records and documentation of expenditures, an independent reconciliation of soda and vending purchases, inventory on hand, and sales cannot occur. This could result in a loss or misuse of funds not being detected. In addition, without retaining invoices or other supporting documentation and paying for all disbursements by check, the county cannot ensure all purchases were received by the county or that the purchase is a proper disbursement of county funds.

WE RECOMMEND the County Clerk maintain a ledger documenting receipts, disbursements, and the balance of the commissions and turn monies over to the County Treasurer in a timely manner. In addition, all supporting documentation should be retained, and an independent reconciliation of purchases, inventory, and sales should be performed.

AUDITEE'S RESPONSE

The County Clerk indicated the recommendation has been implemented. A ledger and invoices are now maintained. Two individuals remove and count the monies and monies are turned over to the Treasurer on a timely basis.

Follow-Up on Prior Audit Findings

MORGAN COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Morgan County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2000.

Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Neighborhood Improvement Districts

- A. The county included a maintenance levy in the special assessments levied to landowners of the Neighborhood improvement Districts (NIDs). The statute in effect at the time the first five projects were established (prior to August 28, 1994) and the ballot wording did not provide for the assessment and collection of a maintenance levy. A new provision of this statute, effective August 28, 1994, allowed the county to obtain voter approval for the assessment and collection of this maintenance levy after the bonds issued to fund the project were fully paid. However, the county had never obtained such voter approval for the first five projects. Also, for these projects and five additional projects established between August 28, 1994, and January 1, 1999, the county was collecting the maintenance levy even though the bonds for these projects had not yet been paid in full.
- B. The County Commission changed the levies used to collect special assessments for each NID annually based on changes in the assessed valuation or parcel counts, as applicable depending on the assessment method for that district.

Recommendation:

The County Commission:

- A. Discontinue the maintenance levy on all NIDs and refund all maintenance monies previously collected to the affected property owners. In addition, if the assessment of a maintenance levy is determined to be necessary for the original five projects, appropriate district petitions should be obtained or elections held authorizing such an assessment. If approved, any maintenance assessments should be levied and collected according to law only after the applicable bonds have been paid in full.
- B. Ensure special assessments are assessed to property owners in accordance with state law. This would require the County Commission to revise the assessment method to ensure the assessment installments are substantially equal over the life of the assessment collection period.

Furthermore, if the County Commission decides to continue its current practices, a written legal opinion supporting its action should be obtained from the Prosecuting Attorney and the county should seek legislative approval for any continued collections which are not allowed under current NID statutes.

Status:

- A. Partially implemented. The County Commission actively sought legislation that would allow for a maintenance levy to be assessed during the period any bonds issued for NIDs were outstanding. Sections 67.456 and 67.457, RSMo, allow for assessments during the term of the bonds or notes issued to be used for maintenance of the project for NIDs established after August 28, 2004. The county has not obtained voter approval to assess a maintenance levy during the term of the bonds issued for the first ten NIDs; however, the county did include such language in the ballots of the four most recently established NIDs (three in 1999 and 2000 and one in 2004). While the county included ballot language concerning provisions for maintenance of the project during the term of the bonds for the three NIDs established in 1999 and 2000, there was no statutory authority at that time allowing the county to include such language. The County Commission has not refunded the monies for the unlawful collections and stated they have no plans to do so. The County Commission did not obtain a written legal opinion from the Prosecuting Attorney supporting its actions. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Not implemented. Each year, the commission levies a tax against the property of NID residents who did not pay their total assessments when the project was authorized. Since 2002, the county began determining each year's levy amount by calculating an average annual debt service amount, adjusted for expected non or late payments, and dividing the average by the assessed valuation. The county uses the monies collected from such special assessments to pay the principal and interest on its general obligation bonds issued for such improvements. By adjusting the levy each year, the installments paid by individuals are not substantially equal. Although not repeated in the current MAR, our recommendation remains as stated above.

2. County Bidding Procedures

Bids were not always solicited or advertised by the county nor was the selection process always documented for various purchases made by the county during the two years ended December 31, 2000.

Recommendation:

The County Commission solicit bids for purchases in accordance with state law and retain documentation of these bids and justification for bid awards. If bids cannot be obtained or

sole source procurement is necessary, the County Commission or County Clerk should retain documentation of these circumstances.

Status:

Implemented. Although the County Commission has implemented this recommendation, see MAR finding number 1 for comments related to various county officials' bidding procedures.

3. Officials' Salaries

- A. The 1997 salary commission voted to set salaries for all county officials, effective January 1, 1998, at 100% of the statutory salary tables newly established that year by the legislature. As a result, each elected official received a raise within their term of office.
- B. In 1998, Morgan County's Associate County Commissioners salaries were each increased approximately \$6,390 yearly. Based on a May 15, 2001, Missouri Supreme Court decision, the raises given to each of the three Associate County Commissioners who held office during the three years ended December 31, 2000, should be repaid.
- C. The County Collector and County Assessor received raises, effective January 1, 2001, due to a change in assessed valuation of the county. The County Collector and County Assessor received these raises prior to their dates of incumbency.

Recommendation:

The County Commission and the salary commission:

- A&C. Request a written opinion from the Prosecuting Attorney as to the legality of the salary increases that went into affect on January 1, 1998 and January 1, 2001, and obtain repayment of any raises determined to be unallowable.
- B. Review the impact of the Supreme Court decision and develop a plan for obtaining repayment of the salary overpayments.

Status:

- A&B. Not implemented. No repayments have been made. The County Commission stated these issues were discussed with the Prosecuting Attorney who indicated his opinion would not be favorable to the county; therefore, the County Commission has not requested a written opinion from the Prosecuting Attorney as to the legality of the salary increases. The County Commission believes requiring repayments would have to be pursued through the court system, and the county does not plan to pursue the matter legally. Although not repeated in the current MAR, our recommendation remains as stated above.

- C. Implemented. In 2001, the County Collector's and County Assessor's respective salaries were reduced over a period of several months to recoup the amounts deemed unallowable.

4. Published Financial Statements

The annual published financial statements of the county did not include financial activity of the Circuit Clerk Interest Fund, Associate Circuit Court Interest Fund, or the Jury Scrip Fund and included only those amounts that passed through the County Treasurer for the Health Center Fund, Senate Bill 40 Fund, and the Senior Citizens Service Fund. In addition, the amounts of bonded debt and other related bond information for the Justice Center bonds or for the bonds issued for the neighborhood improvement district projects were not included.

Recommendation:

The County Commission ensure all required financial information for all county funds is properly reported in the published financial statements.

Status:

Not implemented. The annual published financial statements for 2003 and 2004 included the financial activity of the Circuit Clerk Interest Fund, Associate Circuit Court Interest Fund, and the Jury Scrip Fund; however, the county did not include all financial activity of the Health Center Fund, Senate Bill 40 Fund, and the Senior Citizens Service Fund, nor the amounts of bonded debt and other related bond information for the Justice Center bonds or the neighborhood improvement district projects bonds. See MAR finding number 1.

5. Apportionment of Railroad and Utility Taxes

The County Clerk did not correctly apportion 1999 or 2000 railroad and utility taxes to the school districts.

Recommendation:

The County Clerk consult with the various school districts and the Missouri Department of Elementary and Secondary Education for guidance on how to correct these past errors.

Status:

Implemented. Adjustments were made to the December 2001 railroad and utility tax apportionments.

6. County Sales Tax

The county had not sufficiently reduced its general revenue property tax levy to reduce property tax revenues by 50 percent of sales tax revenues as provided in the ballot issue passed by Morgan County voters. As of the tax year ended December 31, 2000, the county had collected excess property taxes of approximately \$51,424. However, the County Commission included adjustments for prior years' excess property tax collections in the calculation of the 2001 General Revenue Fund tax levy.

Recommendation:

The County Commission continue to ensure in subsequent years that appropriate adjustments are made to the levy to reflect excess property taxes collected in prior years.

Status:

Implemented.

7. Fixed Assets

The County Commission or its designee had not maintained a complete, detailed record of county property. The County Assessor had submitted an annual listing of property in his office to the County Clerk; however, none of the other elected officials had submitted the required reports. In addition, the County Clerk indicated officials had not requested property tags for use on any new assets since August 1999.

Recommendation:

The County Commission establish a written policy related to handling and accounting for fixed assets. Besides providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, all fixed asset purchases and dispositions should be recorded as they occur and purchased items should be tagged or identified as county-owned property upon receipt.

Status:

Not implemented. See MAR finding number 4.

8. Collector's Collateral Security

The collateral securities pledged by the County Collector's depository bank to cover deposits were insufficient during December 2000 and January 2001, by as much as \$3.8 million dollars.

Recommendation:

The County Collector monitor the bank balance and ensure adequate securities are pledged for all funds on deposit in excess of FDIC coverage.

Status:

Implemented.

9. Prosecuting Attorney's Accounting Controls and Procedures

- A. Duties were not adequately segregated.
- B.1. Receipts were not deposited timely. In addition, checks and money orders were not restrictively endorsed until the deposit was prepared.
- 2. One-write ledger entries were not always recorded accurately. In addition, the Prosecuting Attorney did not reconcile the receipt ledger's deposit column activity to the bank information.
- 3. The Prosecuting Attorney required bad check and court ordered restitution to be submitted in the form of money orders made payable to the victim. However, the Prosecuting Attorney's office did not obtain documentation from the victim when the restitution money orders were turned over.
- 4. Monthly listings of open items (liabilities) were not prepared and, consequently, open items were not reconciled to cash balances. At our request, an open items listing was prepared as of December 31, 2000. The reconciled cash balance at December 31, 2000, exceeded identified open items on the listing by approximately \$2,800.
- C. An adequate system to account for all bad check complaints received by the Prosecuting Attorney's office, as well as the subsequent disposition of these complaints, had not been established.

Recommendation:

The Prosecuting Attorney:

- A. Provide for adequate segregation of duties and/or performance of independent reconciliations and reviews of accounting records.
- B.1. Restrictively endorse checks and money orders immediately upon receipt and deposit all monies intact daily or when accumulated receipts exceed \$100.

2. Review the information recorded on the receipt ledger for accuracy and ensure that the deposit column activity is reconciled to the bank information.
 3. Obtain documentation from the victims when restitution money orders are turned over or deposit all receipts and remit restitution by a check issued from the Prosecuting Attorney's bank account.
 4. Prepare complete and accurate listings of open items and reconcile the listings to the cash balance monthly. An attempt should be made to investigate the unidentified monies remaining unidentified should be disbursed in accordance with state law.
- C. Record additional information on the bad check log to adequately account for bad check complaints received as well as the ultimate disposition of each complaint. The log should include merchant data, amount of the bad check and administrative fee, disposition of the bad check, date restitution and fees were paid, date restitution and fees were remitted to the merchant or County Treasurer, and the criminal case number under which charges were filed, if applicable.

Status:

- A. Partially implemented. Office duties are still not adequately segregated; however, the Prosecuting Attorney has begun some oversight in the office, such as signing checks. See MAR finding number 6.
- B.1. Not implemented. However, the only checks noted during our review which are not restrictively endorsed immediately upon receipt are Law Library funds. Although fees are not deposited daily, deposits are made approximately twice weekly. Although not repeated in the current MAR, our recommendation remains as stated above.
- 2&
3. Implemented.
4. Not implemented. See MAR finding number 6.
- C. Implemented. In January 2003, the Prosecuting Attorney's office implemented a computerized bad check system which accounts for bad check complaints received as well as the ultimate disposition of each complaint.

10. Sheriff's Accounting Controls and Procedures

- A. The duties of cash custody and record keeping were not adequately segregated. There were no documented supervisory reviews of the accounting records. In addition, there were no independent reconciliations between monies receipted and deposits or between cash balances and inmate balance records.

- B. As of June 21, 2001, bank reconciliations had not been performed on the commissary account since it was established in January 2001. In addition, deposits had not been recorded, and a balance had not been maintained, in the manual check register since May 2001.
- C.1. Receipt slips were not always issued for monies received from or on behalf of inmates.
- 2. Checks and money orders deposited in the commissary account were not endorsed immediately upon receipt
- 3. The inmate and commissary receipts were held in the booking area after receipt and all persons on duty had access to the monies until the monies were remitted to the inmate and commissary account custodians. There was no documentation of the transfer of monies between the jail and the account custodians. In addition, there was no independent reconciliation between receipts and deposits.
- 4. Adequate supporting documentation was not obtained from the inmates or retained for some cash refunds to the inmates.
- 5. The total inmate and commissary bank account balances had not been reconciled to the individual inmate account balances per the computer system.
- D. Escrow accounts checks totaling at least \$8,000 had been outstanding since the prior audit and were still carried forward on the Sheriff's books as of December 31, 2000. In addition, the Sheriff was holding over \$6,800 on deposit in the escrow account that was confiscated during various investigations, some of which dated back to 1994.

Recommendation:

The Sheriff:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Prepare monthly bank reconciliations and maintain a complete and accurate check register with a running balance.
- C.1. Issue prenumbered receipt slips for commissary monies immediately upon receipt and account for their numerical sequence.
- 2. Restrictively endorse checks and money orders immediately upon receipt.

3. Implement the use of a locked drop box for inmate and commissary receipts and ensure that the transfer of receipts between the jail and the account custodians is documented.
 4. Deposit all inmate funds in an official bank account and issue refunds to inmate by official check or obtain adequate supporting documentation for any refunds not made by check and reconcile monies received to monies deposited and documentation of monies refunded in cash.
 5. Reconcile the inmate and commissary bank account balances to the computerized individual inmate balance records at least monthly and investigate any difference. Any monies remaining unclaimed should be disposed of in accordance with state law.
- D. Attempt to resolve the old outstanding check and confiscated monies on deposit and establish routine procedures to investigate outstanding checks and monies on deposit which have remained on the accounting records for a considerable period of time.

Status:

- A. Partially implemented. The Sheriff indicated he began reviewing the monthly bank reconciliations and he generally signs the checks for the general bank account. However, he performs no other independent review of work performed and does not sign the checks for the inmate/commissary bank account. See MAR finding number 7.

B&

- C.3. Implemented.

- C.1. Partially implemented. Generic, pre-numbered receipt slips are issued for all inmate monies received; however, the numerical sequence of receipts issued is not accounted for. See MAR finding number 7.

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5. Not implemented. See MAR finding number 7.
4. Implemented. The Sheriff's office now obtains adequate supporting documentation for any refunds not made by check.
- D. Partially implemented. The Sheriff resolved \$8,000 of outstanding checks by reissuing the checks to the applicable parties. However, the Sheriff is still holding over \$6,800 on deposit in the escrow account. See MAR finding number 7.

11. Health Center Accounting Controls and Procedures

- A.1. Receipt slips were not written for monies received in the mail and for some donation or service receipts when paid by check.
 - 2. Checks were not endorsed immediately upon receipt.
 - 3. The donation jar was not emptied nightly and the Health Center had not established a regular time frame for emptying the jar and depositing the monies along with other receipts.
- B. The Health Center Board did not maintain worker's compensation insurance from December 3, 1998 through May 10, 2001.

Recommendation:

The Health Center Board:

- A.1. Issue prenumbered receipts slips for all monies received, note the method of payment on the receipt slips and account for the numerical sequence of those receipt slips. In addition, an independent person should periodically reconcile the composition of receipt slips to the composition of deposits.
 - 2. Restrictively endorse checks immediately upon receipt.
 - 3. Empty the donation jar daily, record the receipts on a receipt slip, and deposit the receipts along with other receipts.
- B. Monitor insurance policies to ensure adequate coverages are maintained.

Status:

A.1,2

&B. Implemented.

- A.3. Implemented. Although the donation jar is not emptied nightly, the jar is locked up each night to safeguard any monies received that have not yet been deposited. Two or three times a week, the jar is emptied and the monies are deposited along with other receipts. The composition and source of each deposit is tracked on an excel spreadsheet which identifies these monies as donations.

12. Senior Citizens Service Board Controls and Procedures

- A. Collateral securities were not pledged by the Senior Citizens Service Board's depository bank for deposits in excess of the Federal Depositary Insurance Corporation (FDIC) coverage.
- B.1. The Board considered the approved annual funding requests submitted by not-for-profit (NFP) organizations to be the NFPs' contract for the year. However, the requests did not always provide sufficient detail regarding the specific types or levels of service to be provided, the number of clients to be served, or any other measurable basis for determining if the funding requested was reasonable in relationship to the services the NFP planned to provide.
 - 2. Some NFPs did not submit monthly or quarterly reports that detailed the number of clients served or levels of service provided.
 - 3. The Board made semi-annual payments to each NFP based on the funding amount approved each year. These payments were not based on reimbursement for actual services provided and the NFPs were not required to provide such documentation to be eligible for additional payments.
- C. Three Senior Citizens Service Board members also served on the boards of the Versailles or Laurie Nutrition Centers at the time those entities received funding from the Senior Citizens Service Board.

Recommendation:

The Senior Citizens Service Board:

- A. Monitor the bank balance and ensure adequate securities are pledged for all funds on deposit in excess of FDIC coverage.
- B. Enter into written contracts which specify the amounts to be paid, the services to be provided, and the time period covered by the contracts and ensure payments made to NFPs are made in relationship to the levels of services provided and/or the number of clients served. In addition, the Board should provide for independent monitoring of NFP activities.
- C. Ensure members do not have administrative or financial ties with its funding recipients. Senior Citizens Service Board members who serve on the service providers' boards should either remove themselves from one of the boards or ensure that minutes of board meetings clearly indicate that they are abstaining from voting on funding requests and have no involvement in monitoring their NFP board's activities on behalf of the Senior Citizens Service Board.

Status:

- A. Not implemented. While the Board was adequately collateralized at year end, it was under collateralized in January 2004 and 2003 by approximately \$18,000 and \$22,000, respectively. The Board was adequately collateralized during January 2005. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. The Board entered into written contracts with the NFPs. In addition, we noted the Board requires quarterly reports from the majority of NFPs detailing the activities the Board's funds were used to perform. Through review of the quarterly reports received from the NFPs, the Board provides independent monitoring of NFP activities. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MORGAN COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1833, the county of Morgan was named after General Daniel Morgan, a Revolutionary War hero. Morgan County is a county-organized, third-class county and is part of the 26th Judicial Circuit. The county seat is Versailles.

Morgan County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 475 miles of county roads and 54 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 13,807 in 1980 and 19,309 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2004	2003	2002	2001	1985*	1980**
		(in millions)					
Real estate	\$	240.6	236.0	228.7	221.6	106.8	30.7
Personal property		66.2	64.0	59.8	53.6	12.6	7.5
Railroad and utilities		25.1	23.6	27.8	31.2	20.8	14.5
Total	\$	331.9	323.6	316.3	306.4	140.2	52.7

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Morgan County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,			
		2004	2003	2002	2001
General Revenue Fund	\$	0.1017	0.0897	0.0962	0.0757
Special Road and Bridge Fund *		0.1764	0.1764	0.1761	0.1738
Health Center		0.0827	0.0827	0.0826	0.0824
Senate Bill 40 Board Fund		0.0459	0.0458	0.0458	0.0458
Senior Services Board Fund		0.0459	0.0459	0.0459	0.0458
Johnson Grass Fund		0.0000	0.0000	0.0459	0.0000

* The county retains all tax proceeds from areas not within road districts. The county has three road districts that receive four-fifths of the tax collections from property within these

districts, and the Special Road and Bridge Fund retains one-fifth. One of the road districts also has an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. In addition, pursuant to Section 67.1177, RSMo, the county collects a three percent lodging tax from resorts and other places of business that provide lodging in Morgan County which is distributed to the Lake of the Ozarks Lodging Association. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2005	2004	2003	2002
State of Missouri	\$ 100,565	97,772	94,515	91,174
General Revenue Fund	360,414	318,433	325,359	265,589
Special Road and Bridge Fund				
and special road districts	694,805	680,577	657,398	624,099
Assessment Fund	206,872	167,477	124,719	130,534
Health Center Fund	273,161	266,460	258,255	250,174
Senate Bill 40 Fund	151,472	147,455	143,059	138,746
School districts	9,780,332	9,393,518	9,100,781	8,704,028
Library district	273,193	266,527	257,699	248,589
Ambulance districts	540,244	525,805	510,066	493,179
Fire protection districts	824,846	801,417	769,444	736,617
Nursing home districts	559,888	541,203	526,575	504,507
Johnson Grass Fund	2,847	8,786	130,094	1
Junior College	30,534	28,132	27,447	29,560
Senior Services Fund	150,882	147,219	142,766	136,380
County Employment Retirement				
Fund	12,625	17,154	13,435	14,460
Neighborhood Improvement				
Districts	426,860	439,388	421,029	515,145
Cities	29,742	28,525	31,929	31,326
Tax Sale Surplus Fund	117,420	192,652	56,790	47,484
Lodging association*	40,369	41,025	36,607	38,605
Commissions and fees:				
General Revenue Fund	319,945	317,762	288,077	260,913
Total	\$ 14,897,016	14,427,287	13,916,044	13,261,110

* Amounts reported are on a calendar year basis.

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2005	2004	2003	2002	
Real estate	92.6	92.1	91.5	90.8	%
Personal property	89.9	89.7	89.0	90.2	
Railroad and utilities	99.3	99.3	97.6	99.8	

Morgan County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0500	N/A	50	%
Law Enforcement	.0500	2017	N/A	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2005	2004	2003	2002	2001
County-Paid Officials:	\$				
Rodney Schad, Presiding Commissioner		31,700	31,700	31,700	30,378
Bill Arment, Associate Commissioner		29,700	29,700	29,700	28,380
Warren Anderson, Associate Commissioner		29,700	29,700	29,700	28,380
Cathy Daniels, County Clerk		45,000	45,000		
Donna Chasteen, County Clerk				45,000	43,000
Marvin W. Opie, Prosecuting Attorney		55,000	55,000	1,774	
Stephen Concannon, Prosecuting Attorney				53,374	53,000
Jim Petty, Sheriff		50,000	50,000	50,000	12,000
Rick Bias, Acting Sheriff					8,000
L. M. (Sonny) Earnest, Sheriff					28,000
Louella Pryor, County Treasurer		33,300	33,300		
Debbie K. Hutchison, County Treasurer				33,300	31,820
Gary Garber, County Coroner		16,000	15,000	16,000	14,000
Carolyn Hedrick, Public Administrator		45,000	45,000		
Carmen E. Hayden, Public Administrator				45,000	43,000
Clark Hunter, County Collector (1), year ended February 28 (29),	45,000	45,000	45,000	42,750	
Bob Raines, County Assessor (2), year ended August 31,		45,751	45,878	42,900	43,400

(1) Salary for the year ended February 29, 2002, was reduced \$250 for salary over payment during the year ended February 28, 2001.

(2) Includes \$751, \$878, \$900, and \$900 annual compensation received from the state for year ended August 31, 2004, 2003, 2002, and 2001, respectively. Salary for the year ended August 31, 2002, was reduced \$1,000 for salary over payment during the year ended August 31, 2001.

State-Paid Officials:

Cheryl Morris, Circuit Clerk and Ex Officio Recorder of Deeds	47,900	47,300		
Barbara Barnard, Circuit Clerk and Ex Officio Recorder of Deeds			47,300	47,300
Kevin Schehr, Associate Circuit Judge	96,000	96,000		
Patricia Scott, Associate Circuit Judge			96,000	96,000